ES Group (Holdings) Limited

ANNUAL REPORT 2021

"I think number one, the most important, is Xin Yong (trustworthiness). Be honest... never delay any ship works!"

- Low Chye Hin

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TRUST

In Overcoming Adversity

Transforming into a sustainable enterprise

Care for the wellbeing of Our People

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CORPORATE PROFILE

Established in 1975, ES Group (Holdings) Limited (the "**Company**"), together with its subsidiaries ("**ES Group**" or the "**Group**"), is a Singapore headquartered offshore and marine ("**O&M**") group which offers a broad spectrum of services for O&M structures and vessels.

Listed on the Catalist board of the Singapore Exchange on 9 July 2010, ES Group has more than 40 years of experience in ship building and repair operations, working for prominent shipyard operators in Singapore. Upon its successful listing, it undertook a strategic shift to expand its revenue streams as the Group ventured into engineering, procurement and construction ("**EPC**") projects as well as vessel owning and chartering, which complement its core business. The EPC strategy will secure direct contracts to increase the Group's revenue and profitability. The vessel owning and chartering strategy will generate a stable stream of recurring revenue for the Group in the medium to long term.

A new chapter began in 2013 when ES Group completed and delivered its first pair of bunker vessels, affirming the Group's turnkey engineering, procurement and fabrication capabilities, uncompromising quality and safety standards. It has also created a new revenue stream from the chartering of a bunker vessel which provides stable recurring cash flow for the Group.

ES Group has on-site offices at the premises of its shipyard customers and operates out of its workshop and repair facilities within Singapore. The Company also owns a 70,000 square metre shipyard with fabrication grounds in Thailand (through its 50%-owned subsidiary in Thailand), providing new building and conversion services.

With continued efforts to propel growth, the Group set up its Loyang workshop in 2013 to design and fabricate a range of offshore structures, such as geotechnical drilling rigs. The workshop also provides mobilisation and demobilisation works, repair and maintenance works as well as other offshore support services. This addition further diversifies the competencies and capabilities of the Group's core business. Subsequently, the Group purchased its first vessel, ES Aspire, at the end of 2016, to strengthen its footprint in vessel chartering and set up its ship supplies division in 2017 to expand its customer and supplier base. In 2021, the Group acquired another vessel – a 8kt coastal tanker and renamed it as ES Jewel.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present our Annual Report for the financial year ended 31 December 2021 ("**FY2021**").

FY2021 was dominated by the COVID-19 pandemic, which severely impacted our business both operationally and financially. Notwithstanding the challenges presented by the COVID-19 pandemic, the Group continues to remain resilient with unwavering commitment and focuses on strengthening its core capabilities.

Whilst there is some recovery in the offshore, marine and shipping industry, operating conditions for the Group remain challenging. Despite our efforts to actively engage our customers and to participate in every revenue opportunity, we had to grapple with the impact of inevitable cancellations, deferments, delays in committed customer projects in the Group's new building and repair business segment. The pressure on the top line of the Group was not relieved by the escalating cost as a result of implementing COVID-19 safety measures and the lack of manpower supplies in the offshore and marine industry.

In FY2021, the Group newly acquired a vessel, ES Jewel, to create a fleet of ocean-going vessels with the view of expanding its current chartering capacity. In time, we believe that this fleet expansion will complement the Group's core business segment through extending of the Group's customer base.

Outlook and Forward Strategy

While it is difficult to prognosticate when normality will return or when we will adjust to a new normal, the management, with the support of various stakeholders, will continue to navigate and manage foreseeable risks and long-run disruptions that the current political, social, and economic environment presents.

We will continue to focus on our core business, strengthen our foothold in Singapore and abroad, seek cash-flow-positive business opportunities across our business segments with cost management continuing as a priority.

Acknowledgements

On behalf of my fellow Board members and management team of the Group, I would like to extend my sincere appreciation to our shareholders, business partners, suppliers and customers for their continued loyalty and support. To all our management and staff, I thank you for your commitment and hard work in a very trying environment. I also wish to extend my gratitude to my fellow Board members for their guidance and support. In 2022, the Group looks forward to the continued support from all our stakeholders.

Your sincerely,

Ong Beng Chye
Non-Executive Chairman and Independent Director
11 April 2022

CEO'S STATEMENT

Dear Shareholders,

The COVID-19 pandemic has severely disrupted global economic activity. It is foreseeable that the ongoing impact of COVID-19 (including new virus variants), global economic uncertainty and geopolitical tensions will continue to exist in the coming years. This unprecedented economic landscape presents challenges to the Group as our core businesses are primarily reliant on the market conditions in the shipbuilding and ship repair, shipping, as well as offshore and marine industries.

Looking back to FY2021, we were able to continue to meaningfully operate our businesses, albeit under much financial constraints. We had to take the difficult but necessary measures to right-size our workforce, manage wages, and scrutinise every discretionary spending. We recognise and expect that continued stringent expense management and spending discipline, while painful, remains necessary for us to sustain our businesses going forward.

Our order book for this year is still in the recovery phase, as compared to the pre-COVID years across all the lines of business mainly due to lack of manpower supplies. As this is an industry-wide challenge faced in the offshore and marine industry, the Group will continue to seek out new projects and increase operational efficiencies in this challenging business environment caused by the COVID-19 pandemic.

Path Ahead and Beyond FY2022

We anticipate the difficult industry conditions to persist and remain highly uncertain with potential new waves and new COVID-19 virus variants. Economic recovery will be gradual and business activities will be measured. A lot has happened in the past year and the Group has come a long way but more needs to be done. Let us work together and press on to overcome these challenges to succeed in the new world order.

Note of Appreciation

I would like to extend my sincere gratitude to the Board, management team, and staff of the Group. It was your dedication, drive and resilience that enabled the Group to tide through a very dismal market environment. To our business partners, associates, bankers and suppliers, your unwavering support to the Group has been extremely heartening and we hope that we continue to build on these bonds. Lastly, our sincere gratitude goes to our loyal shareholders for your support and faith in the strategic direction of the Group and in our management team. We would continue to strive for excellence and to drive further positive financial performance to unlock greater shareholders' value.

Your sincerely,

Low Chee Wee
Executive Director, CEO and COO
11 April 2022

OPERATIONAL AND FINANCIAL REVIEW

(a) Review of Financial Performance of the Group

The Group's revenue increased by S$3.4 million or 19.5%, from S$17.5 million in financial year ended 31 December 2020 ("**FY2020**") to S$20.9 million in financial year ended 31 December 2021 ("**FY2021**"), mainly due to (i) increased revenue generated by the Group's shipping segment attributed to the Group's new vessel, ES Jewel; and (ii) completion of delayed projects from FY2020 for the Group's new building and repair segment in FY2021.

Revenue from the Group's shipping segment increased by S$1.8 million, from S$5.4 million in FY2020 to S$7.2 million in FY2021 mainly due to the S$2.2 million of revenue generated by the Group's new vessel, ES Jewel, that was acquired in March 2021, partially offset by the decrease in revenue of S$0.4 million generated by another vessel, ES Aspire. The drop in revenue from ES Aspire was due to lower chartering revenue as a result of disruptions caused by the COVID-19 pandemic. The vessel performed lesser yield voyages in FY2021, as compared to FY2020. The COVID-19 pandemic had resulted in more vessels idling at sea, thus charterers were pushing the charter fee lower in view of the surplus of idle vessels, which resulted in a decline in revenue from ES Aspire.

Revenue from the Group's new building and repair segment increased by S$1.7 million, from S$12.1 million in FY2020 to S$13.8 million in FY2021. The increase in revenue was attributed to completion in FY2021 of delayed projects from FY2020. These projects from the shipyard division were delayed due to lockdown and movement control imposed by the Singapore government in response to the COVID-19 pandemic. With the ease of the COVID-19 restrictions and measures in FY2021, the Group managed to complete and deliver more projects during FY2021.

Revenue contribution from Singapore amounted to 95.8% and 91.8% of the Group's total revenue in FY2021 and FY2020, respectively, with the balance contributed by revenue from the People's Republic of China (FY2021: 1.5% and FY2020: 1.1%), Myanmar (FY2021: 2.2% and FY2020: 0.4%), Malaysia (FY2021: 0.5% and FY2020: 2.3%) and Thailand (FY2021: nil% and FY2020: 4.4%). The Group's two business segments, namely new building and repair segment and shipping segment, made up majority of the revenue contribution from Singapore in both FY2021 and FY2020. Please refer to the reasons set out above for the increase in revenue contribution from Singapore in FY2021, as compared to FY2020. Revenue contribution from the People's Republic of China increased in FY2021 as the division managed to secure

OPERATIONAL AND FINANCIAL REVIEW

new engineering projects from its customer's newly setup shipyard in Dalian, People's Republic of China. Revenue contribution from Myanmar increased in FY2021 as the division successfully completed two projects and contributed approximately S$400,000 to the Group's revenue. Revenue contribution from Malaysia decreased in FY2021 due to on-going COVID-19 disruption and lockdown in Malaysia that had further halted yard operation. The Group's division in Thailand did not secure any project in FY2021, and as such no revenue from Thailand was recorded during the year.

Gross profit decreased by S$3.9 million, from a gross profit of S$3.0 million in FY2020 to a gross loss of S$0.9 million in FY2021. Gross profit margin decreased by 21.7 percentage points, from 17.2% in FY2020 to negative 4.5% in FY2021. The decreases in gross profit and gross profit margin were mainly due to:

i. lesser yield voyages from the Group's shipping segment due to the regional lockdowns in response to the COVID-19 pandemic which resulted in more vessels idling at sea and also the increase in bunker costs during FY2021. In addition, subsequent to the acquisition of the Group's vessel, ES Jewel, by the Group in March 2021, ES Jewel underwent pre-operating readiness activities relating mainly to survey and maintenance matters from April to June 2021, which needed more lay time thus resulting in lesser voyages run;

ii. the Group's vessel, ES Jewel, also suffered unplanned repair and scheduled docking that involved underwater survey in September 2021, resulting in significant repair, maintenance and docking expenses, a portion of which relating to repair and maintenance was charged to the income statement; and

iii. higher manpower costs. The Group is facing constraint of manpower curb in its shipyard activities as a result of restrictions due to the COVID-19 pandemic on safe entry approval to enter Singapore for overseas workers returning from home leave. Due to the shortage in manpower, more overtime was needed to complete the projects, which resulted in lower gross profit margin.

Other operating income decreased by S$3.3 million or 57.7%, from S$5.7 million in FY2020 to S$2.4 million in FY2021, mainly due to the following:

a. gain on disposal of the Group's vessel, ES Bristol, of S$1.4 million recorded in FY2020 which was absent in FY2021;

b. recovery of insurance claims for the Group's vessel, ES Aspire, in relation to repair works of S$0.9 million recorded in FY2020 which was absent in FY2021; and

c. decrease in government grants mainly from jobs support scheme and foreign worker levy rebate of S$1.2 million in FY2021.

The decrease was partially offset by reversal of impairment loss of S$0.3 million from the Group's vessel, ES Aspire, which was recognised in earlier financial year.

Administrative expenses decreased by S$0.2 million or 3.3%, to S$5.8 million in FY2021 from S$6.0 million in FY2020, due to gradual cost cutting on salary and manpower.

Other operating expenses decreased by S$0.2 million or 12.5%, to S$1.8 million in FY2021 from S$2.0 million in FY2020 as the Group suffered lower foreign exchange loss as United States Dollar (USD) strengthened against Singapore Dollars (SGD) (December 2021 SGD1.3517/USD1 vs December 2020 SGD1.3221/USD1) in FY2021.

Finance costs remained largely stable at S$0.1 million for both FY2021 and FY2020.

As a result of the above, the Group recorded a net loss of S$6.3 million in FY2021, as compared to a net profit of S$0.3 million in FY2020. Net loss attributable to owners of the Company was S$6.0 million in FY2021, as compared to a net profit attributable to owners of the Company of S$1.0 million in FY2020.

OPERATIONAL AND FINANCIAL REVIEW

(b) Review of Financial Position of the Group

The Group recorded positive working capital (current assets less current liabilities) of S$12.3 million as at 31 December 2021, as compared to S$23.8 million as at 31 December 2020.

Assets

Current assets

The Group's current assets decreased by S$10.3 million, to S$19.6 million as at 31 December 2021 from S$29.9 million as at 31 December 2020, mainly due to:

a) a decline in cash and cash equivalents of S$11.3 million as a result of:
   - S$5.8 million used in the Group's business operations;
   - S$6.0 million for the acquisition of the Group's new vessel, ES Jewel, which was completed in March 2021;
   - S$0.4 million for payment of dividend; and
   - S$0.9 million for repayment of term loans and obligations under finance leases,

   which was partially offset by a vessel loan for ES Jewel of S$2.6 million drawdown in November 2021.

The decrease was partially offset by:

a) an increase in trade receivables of S$0.5 million, which was in line with the increase in Group's revenue;
b) an increase in contract assets of S$0.5 million, pertaining to jobs that are still in progress as at 31 December 2021; and
c) an increase in inventories of S$0.1 million in the marine supplies division of shipping segment as its operations grow.

Non-current assets

Non-current assets increased by S$5.5 million, to S$19.0 million as at 31 December 2021 from S$13.5 million as at 31 December 2020, due mainly to the capitalisation of the Group's new vessel, ES Jewel, of S$6.0 million acquired in March 2021, partially offset by depreciation charges for property, plant and equipment.

Liabilities

Current liabilities

Current liabilities increased by S$1.3 million, to S$7.4 million as at 31 December 2021 from S$6.1 million as at 31 December 2020. This was mainly attributable to:

OPERATIONAL AND FINANCIAL REVIEW

a) an increase in bank loans of S$1.1 million due to (i) reclassification of bank loans of S$0.8 million from non-current liabilities to current liabilities; and (ii) drawdown of new vessel loan of S$0.5 million, partially offset by payment of bank loans of S$0.2 million;

b) an increase in trade payables of S$1.0 million, mainly related to amount due to supplier for the vessel's (ES Jewel) docking expenses and purchase of spare parts for the preparation of another vessel's (ES Aspire) dry docking in January 2022;

c) a decrease in other payables of S$0.5 million due to absence of deferred income from government grants; and

d) a decrease in income tax payable of S$0.3 million.

Non-current liabilities

Non-current liabilities increased by S$0.7 million, to S$5.7 million as at 31 December 2021 from S$5.0 million as at 31 December 2020, mainly due to drawdown of a new vessel loan of S$2.1 million, partially offset by (i) payment of bank loans of S$0.7 million; and (ii) reclassification of bank loans of S$0.8 million from non-current liabilities to current liabilities.

Equity

As a result of the above, total equity of the Group decreased by S$6.7 million, to S$25.5 million as at 31 December 2021 from S$32.2 million as at 31 December 2020. The Group's equity attributable to owners of the Company decreased by S$6.4 million, to S$25.6 million as at 31 December 2021 from S$32.0 million as at 31 December 2020.

(c) Review of Statement of Cash Flows of the Group

Net cash used in operating activities of S$5.8 million in FY2021 was mainly due to (i) operating cash outflows before changes in working capital of S$5.2 million, which mainly pertained to operating loss incurred during the year; (ii) net cash used in operations of S$0.2 million; and (iii) income tax paid of S$0.3 million.

Net cash used in investing activities of S$6.6 million in FY2021 was related to purchases of property, plant and equipment, which included S$6.0 million incurred for the acquisition of the Group's new vessel, ES Jewel, in March 2021.

Net cash generated from financing activities of S$1.2 million in FY2021 was mainly due to a new vessel loan of S$2.7 million drawdown in November 2021, partially offset by (i) payment of dividend of S$0.4 million; and (ii) repayment of term loans and finance leases of S$0.9 million, in FY2021.

As a result of the above, there was a net decrease in the Group's cash and cash equivalents of S$11.3 million, to S$8.5 million as at 31 December 2021 from S$19.8 million as at 1 January 2021.

BOARD OF DIRECTORS

ONG BENG CHYE

Non-Executive Chairman and Independent Director

LOW CHEE WEE

Executive Director, Chief Executive Officer and Chief Operating Officer

EDDY NEO CHIANG SWEE

Executive Director (Development)

JOANNE KHOO SU NEE

Independent Non-Executive Director

JENS RASMUSSEN

Non-Independent Non-Executive Director

BOARD OF DIRECTORS

Ong Beng Chye is our Non-Executive Chairman and Independent Director. He was appointed to our Board on 23 November 2018 as our Independent Director and was re-designated as our Non-Executive Chairman on 26 April 2019. Mr Ong is currently the Chairman of the Audit and Risk Committee and the Nominating Committee of the Company. Mr Ong has more than 29 years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is a Director of Appleton Global Private Limited, a business management and consultancy services firm. He is also an Independent Non-Executive Director of five other companies listed on the Singapore Exchange (namely Hafary Holdings Limited, Geo Energy Resources Limited, IPS Securex Holdings Limited, CapAllianz Holdings Limited and Alpina Holdings Limited). In addition, from January 2016 to April 2018, Mr Ong also served as the Non-Executive Chairman and Independent Director of Heatec Jietong Holdings Ltd., an offshore marine company listed on the Catalist board of Singapore Exchange. Mr Ong is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a Fellow Chartered Accountant of Singapore. Mr Ong obtained a Bachelor of Science with Honours from City, University of London in 1990.

Low Chee Wee is our Executive Director and was appointed to our Board on 25 November 2009. He was re-designated as Chief Executive Officer on 18 August 2015 and expanded his scope of duty to assume Chief Operating Officer role on 27 April 2016. His primary function is to formulate and oversee the operations and strategic development of our Group. Prior to this, Mr Low was our Chief Financial Officer from 2001 to 2009 and from 2014 to 2015. He started his career in 1995 as an Audit Assistant at Deloitte & Touche (now known as Deloitte & Touche LLP) and left in 1999 as an Audit Supervisor. From 1999 to 2001, he was the Finance Manager for Harringale International Pte Ltd, a project management company, where he was in charge of the finance and accounting matters of the company. Mr Low obtained a Bachelor of Accountancy from the Nanyang Technological University, Singapore in 1994 and is a non-practising member of the Institute of Singapore Chartered Accountants.

Eddy Neo Chiang Swee is our Executive Director (Development) and was appointed to our Board on 25 November 2009. He is responsible for overseeing and managing our Group's information technology, business development and receivables departments. Mr Neo joined our Group in 2000 as a Commercial Executive at Wang Fatt Oil and Gas Construction Pte Ltd, where he was in charge of preparation of sales quotation and invoicing matters. In 2001, he became a Commercial Executive of Eng Soon Engineering (1999) Pte Ltd where he was responsible for manpower and recruitment functions until 2004. He was promoted to Business Development Manager in 2005 and assumed responsibility for our Group's receivables functions. Mr Neo obtained a Diploma in Electrical Engineering from the Ngee Ann Polytechnic, Singapore in 1997.

BOARD OF DIRECTORS

Joanne Khoo Su Nee is our Independent Non-Executive Director and was appointed to our Board on 6 June 2020. She is currently the Chairman of the Remuneration and Compensation Committee of the Company. Ms Khoo has more than 25 years of experience in investment banking, corporate finance, capital markets and corporate advisory services. Ms Khoo is currently a Director of Bowmen Capital Private Limited, a mergers and acquisition advisory firm. She also serves as an Independent Non-Executive Director of Teho International Inc Ltd and was formerly an Independent Non-Executive Director of Excelpoint Technology Ltd and Kitchen Culture Holdings Ltd., companies listed on the Singapore Exchange. She also serves as an Independent Non-Executive Director of Netccentric Limited, a company listed on the Australian Securities Exchange Ltd and JE Cleantech Holdings Ltd. She was formerly an Independent Non-Executive Director of PayLinks Pte Ltd, wholly-owned by iPayLinks Limited. Prior to this, she was involved in a wide range of investment banking and corporate finance activities as a director at Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited) as well as Phillip Securities Pte Ltd and Hong Leong Finance Limited. She started her career at PricewaterhouseCoopers in 1997. Ms Khoo graduated with a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology University in 1996. She was admitted as a Certified Public Accountant by the CPA Australia in 1999 and a Chartered Accountant under the Malaysian Institute of Accountants in 2000. She was also a member of the Women Corporate Directors, the world's largest membership organization and community of women corporate board directors.

Jens Rasmussen is our Non-Independent Non-Executive Director and was appointed to our Board on 1 January 2010. Since 2008, he has been Project Manager for new building projects of accommodation and drilling vessels at Keppel FELS Ltd yard in Singapore and Yiulian Dockyard in China. He was previously involved, on a personal profession basis, in certain projects that the Group was involved. Mr Rasmussen has also been the owner of Raza Service, a consultancy firm, since 2006. Mr Rasmussen has 35 years of professional experience in the marine and offshore industry, having been involved in the management, engineering, certification and construction of various types of new building and conversion projects associated with offshore oil and gas exploration and development, as well as shipbuilding. From 1984 to 2006, he was a General Manager with GVA Consultants AB, where he was responsible for sales, concept development of new oil and gas fields, deep-water drilling semisubmersibles, commercial and technical feasibility evaluation for floating offshore platforms. During the period between 2000 and 2004, he also held the position of Engineering Manager and Construction Manager (Korea) and Engineering Coordination Manager (Houston) at BP Exploration Company Inc. In 2006, he was a Project Manager with Frontier Drilling Inc., where he was responsible for overseeing the upgrade and refurbishment of a drillship in Keppel FELS Ltd. Mr Rasmussen obtained a Master of Science in Engineering from the Technical University of Denmark, Copenhagen in 1980.

KEY MANAGEMENT

KOAY SWEE HENG

Koay Swee Heng is our General Manager (Operations / Commercial), reporting directly to our CEO and COO, Low Chee Wee. Mr Koay is in charge for overseeing our projects with Sembcorp Marine Integrated Yard (SMIY) @ Tuas (Megayard), Sembcorp Marine Repairs & Upgrades Pte. Ltd. and Singapore Technologies Marine Ltd, with overall responsibility of project tenders, reports and billings, project management, budget estimation, supervision of workers and manpower allocation. Mr Koay also oversees the quality assurance and safety assessment teams. Prior to joining our Group, Mr Koay was an Accommodation Design Draughtsman at Keppel FELS Ltd from 1989 to 1995, before he went on to become a Senior Draughtsman / Project Coordinator at Ho & Associates Chartered Architects in Malaysia. Mr Koay joined our Group in 1998 as a Commercial Executive and was responsible for project coordination and tenders. In 2004, he was promoted to Commercial Manager, in charge of project tendering, project management, budget planning and manpower planning. Mr Koay was subsequently appointed as Assistant General Manager in 2007, a position he held until January 2010. Mr Koay obtained his Certificate for Architectural Course conducted by the Ministry of Education (Malaysia) in 1988, Certificate in Introduction to Prime Medusa 2D Basic Drafting conducted by Singapore Polytechnic in 1989, Certificate in Basic Shipbuilding from Ngee Ann Polytechnic in 1990, Certificate of Quality Work Group Training conducted by FELS (now known as Keppel FELS Ltd) in 1991 and Certificate in Shipyard Supervisors Safety Course conducted by the Ministry of Manpower in 1999.

KELVIN CHUM HONG WAI

Kelvin Chum Hong Wai is our Business Development Director at ES Offshore Engineering Pte Ltd, our major subsidiary. He oversees the group clientele of large marine service providers and the Group's ship and marine supplies with logistics business division. Kelvin started his career with several notable ship agencies and companies handling ship supplies and logistics in the Middle East, Far East and close to the regions where the Group is operating in notably Malaysia, Indonesia, Thailand and Brunei. Prior to joining us, Kelvin held a position as Marketing and Business Development director with Sinwa Singapore Pte Ltd.

PARCHALAR RAMARAJU SANKAR

Parchalar Ramaraju Sankar is our Assistant General Manager (Operations / Commercial), reporting directly to our General Manager (Operations / Commercial), Koay Swee Heng. As our Assistant General Manager, Sankar is largely responsible for daily operations on project management, manpower and jobs assignment planning, quality functions at shipyard. He joined our Group since 2002 and diligently worked from a junior position to the current Assistant General Manager position. Sankar holds a Bachelor of Techology in Mechanical Engineering and certification as Senior Welding Inspector.

LOU TIN BOANG

Lou Tin Boang is our General Manager (Thailand) and has been in charge of overseeing the day-to-day operations of our Thailand operations since 2007. Mr Lou joined our Group in 1995 as a Commercial Executive and was promoted to Commercial Manager in 1997. In 2000, he became our General Manager and took on greater responsibility for project tenders, billings, project management, budget estimation and manpower supervision and planning. Mr Lou obtained his Certificate in Architectural conducted by the Institut Teknik Jasa Pusat Vocational, Malaysia in 1986, Certificate in Introduction to Prime Medusa 2D Basic Drafting conducted by Singapore Polytechnic in 1990 and Certificate in Basic Shipbuilding conducted by Ngee Ann Polytechnic Singapore in 1991.

TAN SOOK TENG

Tan Sook Teng is our Finance Manager. She joined our Group in February 2020 as Group Accountant and was promoted to Finance Manager in November 2021. Ms Tan is responsible for our Group's accounting and financial functions, including financial reporting, taxation, treasury matters and internal controls, management of the finance team as well as ensuring compliance with listing and regulatory requirements. Ms Tan has close to eight years of experience working for Singapore and Malaysia professional accounting firms. Prior to joining our Group, Ms Tan worked as external auditor at a Chartered Public Accounting firm in Singapore for more than three years. She started her career in 2012 as a tax associate with Crowe Horwath in Malaysia. She then joined Ernst & Young, Malaysia as external auditor in 2014. Ms Tan was involved in auditing and providing consultancy to clients from various industries such as manufacturing, trading, construction, property development, non-profit organisation and many more. Ms Tan holds a Bachelor of Commerce (Honours) Accounting degree from Universiti Tunku Abdul Rahman and is a member of the Association of Chartered Certified Accountants (ACCA).

CORPORATE MILESTONES

1969/70
Inception of Eng Soon, traded as sole proprietor

1975
Eng Soon Engineering Pte Ltd was first established by Low Chye Hin

1977
Registered as a resident subcontractor of Sembawang Shipyard Pte Ltd

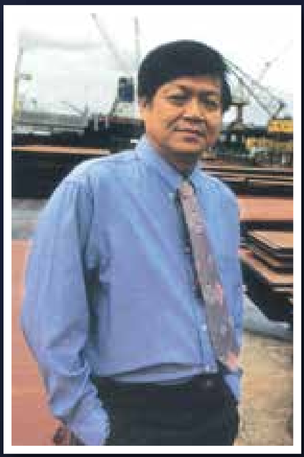
1992
Eng Soon Investment Pte Ltd was formed

1997
Wang Fatt Oil & Gas Construction Pte Ltd was established to serve the marine industry of Singapore Technologies Marine Ltd

1999
Eng Soon Engineering (1999) Pte Ltd was formed to provide marine piping work and mechanical installation catering for all major shipyards in Singapore

2001
ISO 9001 was awarded to Eng Soon Investment Pte Ltd and Wang Fatt Oil & Gas Construction Pte Ltd for excellent commitment to quality

2003
ES Offshore Engineering Pte. Ltd. was formed to provide oil rigs and semi submersible new building and repair services for Keppel FELS Ltd



Low Chye Hin
Founder of Eng Soon

2006
ES Offshore and Marine Engineering (Thailand) Co., Ltd. was formed and acquired a piece of land in Thapsakae, Thailand covering 70,000 square-meters of land space to undertake EPC projects and provide new building services such as offshore modules and oil rigs structures

2007
Built a 2-storey building at No. 10 Kwong Min Road having 4,700 square-feet of office space and 43,000 square-feet of workshop space, which also accommodates 383 of our marine skilled workers

2009
Eng Soon Investment Pte Ltd, Wang Fatt Oil & Gas Construction Pte Ltd, ES Offshore Engineering Pte. Ltd. and Eng Soon Engineering (1999) Pte Ltd each attained OHSAS 18001 in Workplace Safety and Health management and Bizsafe Star Certification

CORPORATE MILESTONES

2010

July, IPO listing on the Catalist board of the Singapore Exchange as ES Group (Holdings) Limited

August, secured first direct order from an international offshore engineering and construction contractor and vessel owner – Subsea 7 S.A.

October, acquired Dalian ES Marine & Offshore Engineering Co., Ltd. – a company incorporated in Dalian, People's Republic of China

2011

Delivered an offshore barge to its first direct customer Subsea 7 S.A.

2012

Successfully launched two bunker vessels – Sea Tanker I and Sea Tanker II

2013

Successfully delivered the two bunker vessels

Incorporated a new subsidiary – ES Energy Pte. Ltd.

Set-up Loyang workshop which designs and fabricates a range of offshore structures, such as geotechnical drilling rigs, as well as provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services

2014

Incorporated a new subsidiary – ES Oil & Gas Pte. Ltd.

Entered into a joint venture with Heatec Jietong Pte. Ltd. and Mr. Stuart Edmund Cox to form Karnot Technology Pte. Ltd. – to develop a heating and cooling system for marine and other industries

2015

Entered into a joint venture with Mr. Tang Wei to establish ESW Automation Pte. Ltd. – to provide marine and offshore electrical installation and automation services

2017

Incorporated 2 new subsidiaries - ES Chartering Pte. Ltd. and ES Aspire Pte. Ltd.

Purchase of vessel, ES Aspire, in end 2016

Created ship and marine supplies division to broaden customer and supplier base

2020

Disposal of vessel, ES Bristol, completed in February 2020

Acquisition of 51% interest in joint venture business, ProXess Engineering Pte Ltd, in October 2020

2021

Acquisition of vessel, ES Jewel, completed in March 2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Beng Chye
Non-Executive Chairman and Independent Director

Low Chee Wee
Executive Director, Chief Executive Officer and Chief Operating Officer

Eddy Neo Chiang Swee
Executive Director (Development)

Joanne Khoo Su Nee
Independent Non-Executive Director

Jens Rasmussen
Non-Independent Non-Executive Director

AUDIT AND RISK COMMITTEE

Ong Beng Chye
Chairman

Jens Rasmussen
Joanne Khoo Su Nee

NOMINATING COMMITTEE

Ong Beng Chye
Chairman

Joanne Khoo Su Nee
Jens Rasmussen

REMUNERATION AND COMPENSATION COMMITTEE

Joanne Khoo Su Nee
Chairman

Jens Rasmussen
Ong Beng Chye

COMPANY SECRETARY

Adrian Chan Pengee

REGISTERED OFFICE

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COMPANY REGISTRATION NUMBER

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Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue #14-07
Keppel Bay Tower
Singapore 098632

SPONSOR

ZICO Capital Pte. Ltd.
77 Robinson Road #06-03
Robinson 77
Singapore 068896

INDEPENDENT AUDITORS

BDO LLP (Unique Entity Number: T10LL0001F)
600 North Bridge Road #23-01
Parkview Square
Singapore 188778
Partner-in-charge: Tei Tong Huat
Date of Appointment: Since financial year ended 31 December 2020
(Public Accountants and Chartered Accountants)

LEGAL ADVISER

Lee & Lee
50 Raffles Place #06-00
Singapore Land Tower
Singapore 048623

BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation, Limited
Singapura Finance Limited
CIMB Bank Berhad, Singapore branch

FINANCIAL HIGHLIGHTS

Financial Performance	FY2021 $'000	FY2020 $'000	FY2019 $'000
Revenue	**20,950**	**17,533**	**27,844**
Cost of services	(21,889)	(14,523)	(15,899)
Gross (loss)/profit	**(939)**	**3,010**	**11,945**
Other operating income	2,410	5,696	1,142
Administrative expenses	(5,839)	(6,041)	(5,680)
Other operating expenses	(1,785)	(2,041)	(2,346)
Finance costs	(163)	(146)	(328)
(Loss)/Profit before share of results of a joint venture	**(6,316)**	**478**	**4,733**
Share of results of a joint venture	(1)	(17)	-
(Loss)/Profit before income tax	**(6,317)**	**461**	**4,733**
Income tax expense	(19)	(125)	(902)
(Loss)/Profit for the year	**(6,336)**	**336**	**3,831**
(Loss)/Profit attributable to owners of the parent	**(6,019)**	**981**	**4,658**

Financial Position	As at 31 December 2021 $'000	As at 31 December 2020 $'000	As at 31 December 2019 $'000
Shareholder's equity (excluding non-controlling interests)	25,595	32,008	31,656
Total assets	38,609	43,415	45,446
Total liabilities	13,097	11,143	14,213

Financial Ratios (per share)	FY2021	FY2020	FY2019
Net asset value (cents)	18.13	22.67	22.42
Basic and diluted (loss)/earnings (cents)	(4.26)	0.69	3.30
Gearing	0.30	0.19	0.19
Interest coverage	(37.74)	4.15	15.42
Current ratio	2.66	4.88	3.23

N.M – not meaningful

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

ES Group (Holdings) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") believes that it is important to establish good corporate governance within the Group as this provides the foundation for a well-managed and efficient organisation that can in turn focus on sustaining good business performance and safeguarding the interests of the shareholders of the Company ("**Shareholders**"). The board of directors of the Company (the "**Board**" or the "**Directors**") is committed to continually develop and uphold high standards of corporate governance, guided by the principles and provisions of the Singapore Code of Corporate Governance 2018 (the "**Code**") issued by the Monetary Authority of Singapore.

This report sets out the Group's corporate governance practices with specific reference to each of the principles and provisions in the Code. The Board confirms that, for the financial year ended 31 December ("**FY**") 2021, the Group has complied with the principles of the Code and generally adhered as closely as possible to the provisions of the Code (except where otherwise explained). Where the Group's practices vary from any provisions of the Code, this is stated with an explanation of the reason for the variation and an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. The Group will continue to assess its needs and implement appropriate practices accordingly.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with management for the long-term success of the Company.

The Board is responsible for the overall management of the Group and is collectively responsible for the Group's long-term success. All Directors are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company. The Directors recuse themselves and refrain from participating in discussions and decisions in which the Director has an interest or is conflicted. Apart from its statutory responsibilities, the role of the Board is to, among other things:-

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- review the Group's investments and divestments and the performance of the business;
- review the performance of the Group's management ("**Management**");
- hold Management accountable for performance;
- review and approve the release of the Group's half year and full year financial results;
- identify the key stakeholder groups and recognize that their perceptions affect the Group's reputation;
- consider corporate governance matters;
- review internal policies and procedures and establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding Shareholders' interests and the Group's assets;
- put in place a code of conduct and ethics, which sets an appropriate tone-from-the-top and desired organisational culture and ensures proper accountability within the Company;
- ensure that obligations to Shareholders and other stakeholders are understood and met;

CORPORATE GOVERNANCE REPORT

- consider sustainability issues, for example, environmental and social factors, as part of its strategic formulation; and

- deliberate on other transactions and matters that require its direction or approval.

The Board holds meetings at least twice annually to coincide with the announcement of the Group's half year and full year financial results and for the Management to update the Board on the significant business activities and overall business environment of the Group. Ad-hoc meetings will be held as and when warranted by particular circumstances and as deemed appropriate by the Board. The Directors are continually updated on the Group's affairs by the Management via e-mails. The Company's constitution ("**Constitution**") is sufficiently flexible and allows meetings of the Board and Board Committees (as defined herein) to be conducted by way of telephone or video conference.

The Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Upon the appointment of a new Director, the Company will provide a formal letter to the Director, setting out his or her duties and obligations. The Board will ensure that all incoming Directors receive relevant induction on joining the Board, including briefing on their duties as Directors and how to discharge those duties, and a comprehensive orientation programme to ensure that they are familiar with the business activities of the Group, its strategic plans and direction and corporate governance practices. The orientation programme will also allow the new Directors to get acquainted with the Management which aims to facilitate interaction and ensures that all Directors have independent access to the Management. The Company will also arrange for any new first-time Director to attend the relevant training in relation to roles and responsibilities of a director of a listed company, organised by the Singapore Institute of Directors as required under Rule 406(3)(a) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), as well as other courses relating to areas such as accounting, legal and industry-specific knowledge as appropriate, organised by other training institutions. The training of Directors will be arranged and funded by the Company. Directors may request to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. No new Director was appointed during FY2021.

Trainings will be arranged and funded by the Company for all Directors as and when required to keep them up to date on relevant new laws, regulations and changing commercial risks, as well as to provide Directors with opportunities to develop and maintain their skills and knowledge. During FY2021, the Directors were briefed and updated in areas such as their duties and responsibilities and particularly on risk management (taking into account, the changing commercial risks), corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Directors.

The Directors have separate and independent access to, and are provided with the names and contact details of, the key Management and the company secretary at all times. The Board has established a procedure for Directors, either individually or as a group, in the furtherance of their duties, to obtain professional advice and assistance from the company secretary or independent professionals, if necessary, and the cost of such advice and assistance will be borne by the Company.

The Board has adopted internal guidelines setting out the matters which are specifically reserved for its approval and clear directions have also been given to the Management that the following matters must be approved by the Board:-

- material acquisitions and disposals of assets;

- corporate or financial restructuring;

- corporate strategies;

- share issuances (including stock options or other equity awards), dividends and other capital transactions and returns to Shareholders;

CORPORATE GOVERNANCE REPORT

- approval of annual audited financial statements for the Group and the Directors' Statement thereto;
- any public report or press release reporting the results of operations and all other announcements to be made on the SGXNet; and
- matters involving a conflict or potential conflict of interest involving a substantial Shareholder or a Director or any interested person transaction.

The Board has, without abdicating its responsibility, delegated the authority to the Audit and Risk Committee, the Nominating Committee and the Remuneration and Compensation Committee (collectively, the "**Board Committees**") to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. Each Board Committee is regulated by a set of written terms of reference endorsed by the Board setting out their compositions, authorities and duties, including reporting back to the Board. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive to attend their meetings. The Board Committees report their activities regularly to the Board and minutes of the Board Committees are also regularly provided to the Board. The Board Committees will also review their terms of reference on a regular basis to ensure their continued relevance. The composition and description of each Board Committee are set out in this corporate governance report. The Board accepts that while these Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board. The names of the Board Committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities are disclosed in this corporate governance report.

During FY2021, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:-

Board / Board Committees	Board	Audit and Risk Committee	Nominating Committee	Remuneration and Compensation Committee
Number of meetings held	2	2	1	1
Name of Director				
Mr. Ong Beng Chye	2	2	1	1
Mr. Low Chee Wee	2	2*	1*	1*
Mr. Eddy Neo Chiang Swee	2	2*	1*	1*
Ms. Joanne Khoo Su Nee	2	2	1	1
Mr. Jens Rasmussen	2	2	1	1

* Attendance by invitation.

Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company. The Nominating Committee is satisfied that all Directors gave sufficient time and attention to the affairs of the Company and were able to and have adequately carried out their duties as a Director of the Company for FY2021.

The company secretary provides secretarial support to the Board and Board Committees and his role includes:-

(a) assisting the respective chairman of the Board and Board Committees and the Management in the preparation of the agendas for the Board and Board Committee meetings;

(b) attending all Board and Board Committee meetings and preparing minutes of the meetings;

CORPORATE GOVERNANCE REPORT

(c) ensuring that all meetings are properly convened and Board procedures are followed;

(d) advising the Board and the Management on the Company's compliance with the requirements of the Companies Act 1967 of Singapore ("**Companies Act**"), the Catalist Rules and all other rules, regulations and governance matters which are applicable to the Group;

(e) under the direction of the Chairman of the Board (the "**Chairman**"), ensuring good information flows within the Board and Board Committees and between Management and the Non-Executive Directors; and

(f) facilitating the orientation of incoming Directors and assisting with professional development as required.

The appointment and the removal of the company secretary is a decision of the Board as a whole.

To enable the Directors to make informed decisions and discharge their duties and responsibilities, the Management provides all Directors with the appropriate financial accounts and complete, adequate and timely information detailing the Group's performance, financial position and prospects prior to meetings and on an ongoing basis.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board currently consists of five members, as set out below:-

Directors[1]	Board Membership	Date of First Appointment	Date of Last Re-Appointment	Audit and Risk Committee[2]	Nominating Committee[2]	Remuneration and Compensation Committee[2]
Mr. Ong Beng Chye	Non-Executive Chairman and Independent Director	23 November 2018	26 April 2019 (to be re-elected at the forthcoming AGM)	Chairman	Chairman	Member
Mr. Low Chee Wee	Executive Director, Chief Executive Officer ("**CEO**") and Chief Operating Officer ("**COO**")	25 November 2009	27 April 2021	-	-	-
Mr. Eddy Neo Chiang Swee	Executive Director (Development)	25 November 2009	27 April 2021	-	-	-
Ms. Joanne Khoo Su Nee	Independent Non-Executive Director	6 June 2020	27 April 2021	Member	Member	Chairman
Mr. Jens Rasmussen	Non-Independent Non-Executive Director	1 January 2010	5 June 2020 (to be re-elected at the forthcoming AGM)	Member	Member	Member

CORPORATE GOVERNANCE REPORT

Notes:-

(1) Please refer to pages 8 to 10 of this annual report for information regarding the Directors' profiles, present directorships or chairmanships in other listed companies and other principal commitments. Please refer to pages 44 to 45 of this annual report for information regarding the Directors' shareholdings in the Company and its related corporations.

(2) Please refer to Principles 4, 6 and 10 on pages 24, 27 and 33 respectively of this corporate governance report for information regarding the composition of the Board Committees, names of the respective Board Committee chairman and members and their primary responsibilities.

The respective chairman of the Board Committees are Independent Directors and are considered by the Board to be well qualified to chair the Board Committees with their many years of relevant experience and expertise. The independence of each Independent Director is reviewed annually, and as and when circumstances require, by the Nominating Committee based on the definition of independence as set out in the Code, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors, who are members of the Nominating Committee, have abstained from voting on any resolution and making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the evaluation of his or her independence. There is no policy to prohibit or require the Non-Executive and Independent Directors to hold shares in the Company. Mr. Ong Beng Chye holds 1,925,000 shares in the Company amounting to 1.4% of the total issued shares in the Company. The Nominating Committee and the Board are of the view that the holding of shares by Non-Executive and Independent Directors of less than 5.0% of the total issued shares in the Company encourages the alignment of their interests with the interests of Shareholders without compromising their independence. Taking into account the views of the Nominating Committee, the Board is satisfied as to the independence of Ms. Joanne Khoo Su Nee and Mr. Ong Beng Chye. Ms. Joanne Khoo Su Nee and Mr. Ong Beng Chye are independent in conduct, character and judgment, and do not have any relationship with the Company, its related corporations, its Shareholders who have an interest of at least 5% of the Company's voting shares or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules.

The independence of a Director who has served on the Board beyond nine years from the date of his or her first appointment will be subject to more rigorous review.

Taking into account the views of the Nominating Committee, the Board concurs with the Nominating Committee that a Non-Executive Director's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of a Non-Executive Director, the Nominating Committee and the Board consider it more appropriate to have regard to the substance of the Non-Executive Director's professionalism, integrity, objectivity, and ability to exercise independence of judgment in his or her deliberation in the interest of the Company, and not merely based on form such as the number of years which they have served on the Board.

Rigorous review is conducted by the Nominating Committee and the Board to assess the continuing independence of Non-Executive Directors having served for over nine years, with attention to ensuring that they remain independent in character and judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the Management and the Board. The Nominating Committee's and the Board's rigorous review includes, *inter alia*, critical examination of any conflicts of interest, as well as other factors such as their review and scrutiny of matters and proposals put before the Board, and the effectiveness of their oversight role as check and balance on the acts of the Board and the Management and their role in enhancing and safeguarding the interest of the Company and that of its Shareholders.

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In addition, pursuant to Rule 406(3)(d)(iii) of the Catalist Rules which took effect from 1 January 2022, a Director will not be independent if he or she has served for an aggregate of more than nine years unless his or her continued appointment as an Independent Director has been sought and approved in separate resolutions by (a) all Shareholders; and (b) Shareholders, excluding the Directors and CEO of the Company, and associates of such Directors and CEO (the "**Two-Tier Voting**"). For the purpose of the resolution referred to in (b) above, the Directors and CEO of the Company, and their respective associates, must not accept appointment as proxies unless specific instructions as to voting are given. Such resolutions approved by a Two-Tier Voting may remain in force for three years from the conclusion of the annual general meeting of the Company following the passing of the resolutions or the retirement or resignation of the Director, whichever the earlier.

None of the Independent Directors has served on the Board beyond nine years from the date of his or her first appointment.

During FY2021, out of the five Directors, three were Non-Executive Directors, including the Chairman who is independent and non-executive. As such, the Non-Executive Directors make up a majority of the Board. The Nominating Committee and the Board have considered that the size and composition of the Board and the Board Committees are appropriate for effective debate and decision-making, based on the Group's present circumstances and taking into account the scope and nature of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

The Company has in place a Board Diversity Policy, which endorses the principle that its Board should have a balance of skill, knowledge, experience and diversity of perspectives appropriate to the Group's business to promote the inclusion of different perspectives and ideas, mitigate against groupthink and foster constructive debate. Diversity enhances the Board's decision-making capability and ensures that the Group has the opportunity to benefit from all available talent and perspectives. The Board Diversity Policy provides for the Board to comprise directors with a diverse mix of expertise, experience, perspectives, skills and backgrounds who as a group provide an appropriate balance, and have diversity from a number of aspects, including but not limited to diversity in gender, age, business or professional experience, skills and knowledge. The Nominating Committee, in carrying out its duties of reviewing the size and composition of the Board, reviewing succession planning, identifying possible candidates and making recommendations of board appointments to the Board, considers a combination of diversity factors such as skills, core competencies, knowledge, business and professional experience, educational background, gender, age, and length of service. Core competencies, which are taken into account, include but not limited to accounting, finance, business and management experience, industry knowledge, and knowledge of risk management, audit and internal controls.

The Nominating Committee and the Board have reviewed and are satisfied that the current Board comprises five Directors, who as a group provide an appropriate balance and mix of skills, experience, knowledge of the Group and its business operations and other aspects of diversity such as gender and age. The Directors as a group provide a wide spectrum of core competencies such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience, and knowledge to lead and govern the Group effectively, In recognition of the importance and value of gender diversity in the composition of the Board, the Board has one female Director currently, representing 20% of the total Board membership, who is the Chairman of the Remuneration and Compensation Committee. All Directors have exercised due diligence and independent judgement and demonstrated objectivity in their deliberations in the interests of the Company. The Nominating Committee and the Board believe that there being an appropriate balance of industry knowledge, skills, background, experience, professional qualifications, age and gender on the Board, allows for diverse and objective perspectives on the Group's business and direction to support the long-term success of the Group, and are satisfied that the objectives of the Board Diversity Policy are met.

CORPORATE GOVERNANCE REPORT

An effective and robust board is fundamental to good corporate governance. All Directors are continually encouraged to engage actively in open and constructive debate and challenge the Management on its assumptions and proposals. The Board comprises at least one-third Independent Directors who provide different perspectives on the Group's business and corporate activities. This ensures that no individual or small group of individuals dominates the Board's decision-making. To facilitate a more effective check on the Executive Directors and the Management, the Non-Executive Directors, who constitute a majority of the Board, meet at least once annually without the presence of the Management to discuss matters that they wish to raise privately. The Non-Executive Directors also constructively challenge the Executive Directors and the Management and help develop proposals on strategy and review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman and the CEO are separate persons in order to ensure an appropriate balance of power and authority, increase accountability and greater capacity of the Board for independent decision-making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the Chairman and the CEO. The Chairman, Mr. Ong Beng Chye, an Independent Director, and the CEO, Mr. Low Chee Wee, are not related to each other.

The responsibilities of the Chairman include:-

- assuming the formal role of an independent leader and chairing all Board meetings;
- leading the Board to ensure its effectiveness on all aspects of its role, in particular its oversight of the Management;
- in consultation with the CEO, approving meeting schedules of the Board, setting the agenda for Board and Board Committee meetings and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- ensuring that the Directors receive complete, adequate and timely information;
- ensuring effective communication by the Board and the Management with Shareholders;
- encouraging constructive relations within the Board and between the Board and the Management and between the Executive Directors and the Non-Executive Directors;
- facilitating the effective contribution of the Non-Executive Directors in particular; and
- promoting high standards of corporate governance for the Group.

The CEO has full executive responsibilities in the business directions and operational efficiency of the Group. He oversees the execution of the Group's corporate and business strategies and is responsible for the day-to-day running of the business.

No lead Independent Director has been appointed as the Chairman and the CEO are not related to each other and there is no business relationship between them. In respect of Provision 3.3 of the Code, the Chairman, who is an Independent Director, functions as a lead Independent Director and provides a channel of communication through which Shareholders may raise any concerns in situations where the normal channels of communication with the CEO or Management are inappropriate or inadequate.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

In accordance with the terms of reference of the Nominating Committee, the duties and responsibilities of the Nominating Committee include, among others:-

(a) making recommendations to the Board on relevant matters relating to:

   (i) the review of succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel;

   (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;

   (iii) the review of training and professional development programmes for the Board and its Directors; and

   (iv) the appointment and re-appointment of Directors (including alternate directors, if any);

(b) determining annually, and as and when circumstances require, if a Director is independent, having regard to the circumstances set forth in Provision 2.1 of the Code and any other salient factor;

(c) conducting a rigorous review of the independence of any Director who has served on the Board for more than nine years from the date of his or her first appointment and the reasons for considering him or her as independent;

(d) ensuring that new Directors are aware of their duties and obligations;

(e) deciding whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company, and where a Director holds a significant number of listed company directorships and principal commitments[1], assessing the ability of such a Director to diligently discharge his or her duties; and

(f) without limiting the effect of sub-paragraph (a)(ii) above, recommending for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board, in order for the Board to undertake a formal annual assessment of the performance of the Board as a whole, each Board Committee and each individual Director.

The Nominating Committee comprises three Non-Executive Directors, namely, Mr. Ong Beng Chye ("**NC Chairman**"), Ms. Joanne Khoo Su Nee and Mr. Jens Rasmussen, the majority of whom, including the NC Chairman, are independent.

The Nominating Committee ensures that new Directors are aware of their duties and obligations. Newly appointed Directors will receive appropriate training and orientation programmes to familiarise themselves with the operations of the Group and its major business processes. On the appointment of a new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.

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[1] The term "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

CORPORATE GOVERNANCE REPORT

The Nominating Committee also determines if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company and whether each Director has adequate time and attention to devote to the Company, in the case of Directors with multiple listed board representations and other principal commitments.

The listed company directorships and principal commitments of each Director are disclosed in this annual report. In the event a Director holds a significant number of such directorships and commitments, the Company provides the Nominating Committee and the Board an assessment of the ability of the Director to diligently discharge his or her duties. Although some of the Directors have other listed company directorships and other principal commitments, the Nominating Committee is satisfied that all Directors are able to devote adequate time and attention to the affairs of the Company to fulfil his or her duties effectively as a Director. The Nominating Committee monitors and determines annually whether Directors who have multiple listed company directorships and other principal commitments are able to devote sufficient time and attention to the affairs of the Company and adequately carry out his or her duties as a Director. The Nominating Committee assesses the contribution by each Director to the effectiveness of the Board and takes into account his or her actual conduct on the Board in making this determination. There is no alternate Director on the Board.

The Nominating Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole as well as its individual members based on attributes of the existing Board and the requirements of the Group. The Board is of the view that the Directors as a group should provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. The Board takes steps to achieve the diversity necessary with the aim of maximizing its effectiveness. The Directors are respectively experienced in business management, human capital development, strategies planning and possess industry experience that the Company operates in.

The Nominating Committee also considers the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, a Director's independence as part of the process for selection, appointment and re-appointment of Directors. The search for new Directors, if any, will be via contacts and recommendations so as to cast its net as wide as possible for the right candidate. Executive recruitment agencies will also be engaged to assist in the search process where necessary. The Nominating Committee will arrange for interviews with the shortlisted candidates for its assessment before arriving at a decision. During the interviews, the Nominating Committee will take into consideration whether the candidate has sufficient time available to devote himself or herself to the position, the skill sets of the candidate and how he or she will complement the current Board. In addition, the Nominating Committee will take into consideration whether a candidate had previously served on the board of a company with an adverse track record or a history of irregularities, or whether the candidate is or was under investigation by professional associations or regulatory authorities. The Nominating Committee will also assess whether a candidate's resignation from the board of any such company would cast any doubt on the candidate's qualification and ability to act as a Director of the Company. Upon the Nominating Committee's review and recommendation to the Board, the new Directors will be appointed by way of a board resolution.

In accordance with Rule 720(4) of the Catalist Rules, all Directors need to submit themselves for re-nomination and re-appointment at least once every three years. In addition, in accordance with the Constitution, all Directors, including the CEO, are subject to re-nomination and re-appointment at regular intervals of at least once every three years. At each annual general meeting of the Company ("**AGM**"), at least one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, are required to retire and to submit themselves for re-election. The Constitution also provides that a newly appointed Director must retire and submit himself or herself for re-election at the AGM following his or her appointment. In making the recommendation, the Nominating Committee has considered each of the said Directors' qualifications, experiences, skills and expertise, as well as overall contributions and performances. Each member of the Nominating Committee shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the assessment of his or her performance or re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

Pursuant to Article 98 of the Constitution on the one-third rotation rule, Mr. Ong Beng Chye and Mr. Jens Rasmussen shall retire at the forthcoming AGM and shall be eligible for re-election. Mr. Ong Beng Chye and Mr. Jens Rasmussen will be offering themselves for re-election at the forthcoming AGM.

The Nominating Committee has recommended to the Board that Mr. Ong Beng Chye and Mr. Jens Rasmussen be nominated for re-election at the forthcoming AGM. The Board has accepted the Nominating Committee's recommendation. As Mr. Ong Beng Chye is the NC Chairman and Mr. Jens Rasmussen is a member of the Nominating Committee, they have abstained from voting on the respective resolutions relating to their retirement and re-election, including making any recommendations and participating in any deliberation of the Nominating Committee in respect of the assessment of their re-nomination as Directors.

Mr. Ong Beng Chye will, upon re-election as a Director at the forthcoming AGM, remain as the Non-Executive Chairman and Independent Director, and continue to serve as Chairman of the Audit and Risk Committee, Chairman of the Nominating Committee and a member of the Remuneration and Compensation Committee. Mr. Ong Beng Chye is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr. Jens Rasmussen will, upon re-election as a Director at the forthcoming AGM, remain as a Non-Independent Non-Executive Director and continue to serve as a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration and Compensation Committee. Mr. Jens Rasmussen is considered by the Board to be non-independent for the purpose of Rule 704(7) of the Catalist Rules.

Please refer to pages 40 to 43 of this annual report for the additional information regarding Mr. Ong Beng Chye and Mr. Jens Rasmussen, pursuant to Rule 720(5) of the Catalist Rules.

The Board recognises the importance of good succession planning to facilitate better corporate governance processes and practices. The Nominating Committee is tasked to review the succession plans for Directors progressively and identify the potential successors to key positions. Succession and leadership development plans for the key Management personnel will be implemented to ensure a smooth transition. The review, if any, will be presented to the Board for its approval.

The Nominating Committee is also tasked to review annually the independence of a Director bearing in mind the Code's definition of an 'independent' Director and guidance under the Code and the Catalist Rules as to relationships the existence of which would deem a Director not to be independent. The Nominating Committee will consider in its review, the confirmation on the independence of each Director which each Independent Director provides to the Board annually.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.

The Board approved the objective performance criteria and process recommended by the Nominating Committee for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board. Each member of the Nominating Committee shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the assessment of his or her performance as a Director.

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For FY2021, an annual evaluation of the performance of the Board as a whole, and of each Board Committee was conducted to assess and identify areas for continuous improvement to the Board's and the Board Committees' performance and effectiveness. The evaluation of the Board was carried out by way of a Board assessment checklist through which each Director was required to complete and assess individually the Board as a whole on several parameters including, among others, the Board's conduct of affairs, Board composition and guidance as well performance, remuneration matters, risk management and internal controls, measuring and monitoring performance, recruitment and evaluation, succession planning, financial reporting and communication with Shareholders. Contribution by the Chairman to the effectiveness of the Board was also evaluated in the Board assessment checklist. The evaluation of each Board Committee was carried out by way of an evaluation form for each Board Committee through which each Director was required to complete and evaluate individually each Board Committee as a whole on several parameters, namely committee composition, information to the committee and committee procedures. For FY2021, an annual evaluation of each individual Director on whether each individual Director continues to contribute effectively and demonstrate commitment to the role, was carried out by way of a self-assessment checklist through which each Director was required to complete and evaluate their own performance and contribution to the effectiveness to the Board on several parameters, namely attendance at the meetings of the Board and Board Committees, discharge of the Director's duties at the meetings of the Board and Board Committees, know-how of the Director and the Director's interactions with fellow Directors, key Management personnel, Shareholders and auditors.

The consolidated findings from such assessment checklists and evaluation forms were then reported and recommendations were made to the Board for consideration for further improvements to assist the Board, each Board Committee and each individual Director in discharging their duties more effectively. The performance criteria, which allows for comparison with industry peers, are approved by the Board and they address how the Board has enhanced long-term Shareholders' value by allowing the Board to further improve on discharging their duties more effectively. The performance criteria are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision. The performance criteria has been amended since FY2019 to reflect the amendments made to the Code.

Based on the aforementioned assessment conducted, the Nominating Committee is of the view that, for FY2021, the performance and effectiveness of the Board as a whole, and of each Board Committee as well as the contribution by the Chairman and each individual Director to the effectiveness of the Board were satisfactory.

The Board has not engaged any external consultant to conduct an assessment of the performance and effectiveness of the Board as a whole, and of each Board Committee as well as the contribution by the Chairman and each individual Director to the effectiveness of the Board. Where relevant, the Nominating Committee will consider such an engagement.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

In accordance with the terms of reference of the Remuneration and Compensation Committee, the duties and responsibilities of the Remuneration and Compensation Committee include, among others:-

(a) reviewing and recommending to the Board:

  (i) a framework of remuneration for the Board and key Management personnel; and

  (ii) the specific remuneration packages for each Director as well as for the key Management personnel,

CORPORATE GOVERNANCE REPORT

and in doing so, the Remuneration and Compensation Committee considers all aspects of remuneration, including termination terms, to ensure they are fair;

(b) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key Management personnel's contracts of service to ensure that such contracts of service, if any, contain fair and reasonable termination clauses which are not overly generous;

(c) reviewing working environments and succession planning for the key Management personnel;

(d) reviewing the terms of the employment arrangements with the key Management personnel so as to develop consistent group-wide employment practices subject to regional differences; and

(e) reviewing whether the Executive Directors and key Management personnel should be eligible for benefits under long-term incentive schemes, including share schemes.

The Remuneration and Compensation Committee comprises three Non-Executive Directors, namely, Ms. Joanne Khoo Su Nee ("**RC Chairman**"), Mr. Jens Rasmussen and Mr. Ong Beng Chye, the majority of whom, including the RC Chairman, are independent.

The Remuneration and Compensation Committee aims to motivate and retain Directors and key Management personnel without making excessive payments to them, and to ensure that the Company is able to attract and retain the best talent in the market to drive the Group's businesses forward in order to maximise long-term Shareholders' value. The Remuneration and Compensation Committee aims to be fair and to avoid rewarding poor performance.

The Remuneration and Compensation Committee's recommendations are submitted for endorsement by the entire Board. The recommendations include all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.

The Remuneration and Compensation Committee will, from time to time, and where necessary, seek advice from external remuneration consultant(s) in structuring the remuneration policy and determine the level and mix of remuneration for the Directors and key Management personnel. No external remuneration consultant has been engaged for FY2021.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the Company.

An appropriate proportion of the Executive Directors' and key Management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with Shareholders' interests and other stakeholders and promotes the long-term success of the Company. The Remuneration and Compensation Committee also takes into account the risk policies of the Company, and ensures that remuneration is symmetric with risk outcomes and is sensitive to the time horizon of risks and the industry practices and norms in compensation. These measures are appropriate and meaningful for the purpose of assessing the Executive Directors' and key Management personnel's performance.

The Company adopts and uses contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key Management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company.

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The Remuneration and Compensation Committee ensures that both the total remuneration and individual pay components, in particular, the annual fixed cash, annual performance incentives and long-term incentives, are market competitive and performance-driven. The annual fixed cash component consists of the annual basic salary and fixed allowances which the Company benchmarks with the relevant industry market data, where available. The annual performance incentive component refers to variable bonus that is tied to the performance of the Group, business unit and individual employee. Performance conditions to which entitlement to such annual and short-term incentives include benchmarking performance to industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Group's financial performance vis-à-vis industry performance and individual performance.

The Company had entered into a fixed-period service agreement with each of Mr. Low Chee Wee and Mr. Eddy Neo Chiang Swee on 1 January 2021, governing the terms and conditions of their employment with the Company. The service agreement with each of Mr. Low Chee Wee and Mr. Eddy Neo Chiang Swee is renewable on an annual basis after the first three years. Their service agreements have been updated with the latest corporate governance requirements as and when required. The remuneration packages for the Executive Directors are based on terms stipulated in their respective service agreement. The remuneration package of Mr. Low Chee Wee includes a profit sharing scheme that is performance-related to align his interests with those of Shareholders.

The Non-Executive Directors do not have service agreements with the Company. They are paid fixed Directors' fees appropriate to their level of contribution, taking into account factors such as effort, time spent, and their responsibilities on the Board and Board Committees. The Non-Executive Directors, who are also independent, have not been over-compensated to the extent that their independence is compromised.

In setting remuneration packages, the Remuneration and Compensation Committee aligns the level and structure of remuneration with the long-term interest and risk policies of the Company and considers what is appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company; and (b) the key Management personnel to successfully manage the Company for the long term.

No Director is involved in deciding his or her own remuneration. The recommendations made by the Remuneration and Compensation Committee in respect of the Non-Executive Directors' fees are subject to Shareholders' approval at the AGM. Executive Directors do not receive any Directors' fee. At the last AGM held on 27 April 2021, Shareholders had approved the payment of the Non-Executive Directors' fees of up to S$128,500 for FY2021. At the forthcoming AGM, Shareholders' approval will be sought for the payment of the Non-Executive Directors' fees of up to S$128,500 for the financial year ending 31 December 2022.

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Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Group sets the remuneration policy for (i) each individual Director and the CEO; and (ii) the top five key Management personnel (who are not Directors or the CEO) in bands no wider than S$250,000.

A breakdown, showing the level and mix of the remuneration of each individual Director in bands no wider than S$250,000 for FY2021, is as follows:-

	Directors' Fees (%)	Fixed Salary[(1)] (%)	Bonus (%)	Benefits (%)	Total (%)
Executive Directors					
S$250,000 to S$500,000					
Mr. Low Chee Wee	-	88	7	5	100
Below S$250,000					
Mr. Eddy Neo Chiang Swee	-	82	6	12	100
Non-Executive Directors					
Below S$250,000					
Mr. Ong Beng Chye	100	-	-	-	100
Ms. Joanne Khoo Su Nee	100	-	-	-	100
Mr. Jens Rasmussen	100	-	-	-	100

Note:-
(1) Includes employers' contributions to the Central Provident Fund and allowances.

A breakdown, showing the level and mix of the remuneration of each of the top five key Management personnel (who are not Directors or the CEO) in bands no wider than S$250,000 for FY2021, is as follows:-

	Fixed Salary[(1)] (%)	Bonus (%)	Benefits (%)	Total (%)
S$250,000 to S$500,000				
Mr. Christopher Low Chee Leng	83	6	11	100
Below S$250,000				
Mr. Teh Teong Lay[(2)]	94	6	-	100
Ms. Tan Sook Teng[(3)]	74	26	-	100
Mr. Koay Swee Heng	85	15	-	100
Mr. Lou Tin Boang	93	7	-	100

Notes:-
(1) Includes employers' contributions to the Central Provident Fund and allowances.
(2) Mr. Teh Teong Lay ceased to be the Financial Controller of the Company on 1 December 2021.
(3) Ms. Tan Sook Teng was appointed as Finance Manager on 1 November 2021.

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The total remuneration, in aggregate, paid to the above top five key Management personnel (who are not Directors or the CEO) for FY2021 was approximately S$588,000.

Mr. Christopher Low Chee Leng is a substantial Shareholder (with total 38.33% shareholding interest (both direct and deemed) of the Company as at 21 March 2022) and the brother of Mr. Low Chee Wee (Executive Director, CEO and COO, as well as a substantial Shareholder) and Ms. Yvonne Low-Triomphe (a substantial Shareholder), son of Mdm Neo Peck Keow @ Ng Siang Keng (a substantial Shareholder) as well as cousin of Mr. Eddy Neo Chiang Swee (Executive Director and a substantial Shareholder). The remuneration paid to Mr. Christopher Low Chee Leng for FY2021 was between S$250,000 and S$300,000.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded S$100,000 during FY2021, was a substantial Shareholder, an immediate family member of a Director, the CEO or a substantial Shareholder.

The Board has, on review, decided not to disclose the remuneration of the Directors to the nearest thousand dollars and the remuneration of the top five key Management personnel (who are not Directors or the CEO) to the nearest thousand dollars given the competitive pressure and disadvantages that this might bring. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this corporate governance report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

There were no termination, retirement and post-employment benefits granted to the Directors, the CEO and key Management personnel pursuant to the terms of their employment agreements.

The Company does not have any share schemes, such as an employee share option scheme or performance share plan, in place in FY2021.

The Board will evaluate as and when there is a need for on a long-term incentive and reward scheme to ensure employees focus on generating Shareholders' value over a longer term. Entitlement to such long-term incentives will include assessment and recognition of potential progressive performance and enhancement to asset value and Shareholders' value over time, taking into consideration current and future plans of the Company.

A separate annual remuneration report has not been included in this annual report as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this annual report and in the financial statements of the Company.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Company has put in place risk management framework and internal control systems to manage different risk aspects of the Group including financial, operational, compliance and information technology risks, which are detailed in formal instructions, standard operating procedures and financial authority limits policies. Some examples of the internal controls in place are policies and procedures that are established in relation to the safeguarding of assets, maintenance of proper accounting records, maintenance of reliable financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risks.

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The Board, who is responsible for the governance of risk, ensures that the Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The Board determines the Group's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board monitors the Group's risks through the Audit and Risk Committee as well as the external and internal auditors. The Audit and Risk Committee reviews the audit plans of the external and internal auditors at least once annually, including the results of the external and internal auditors' review and evaluation of the system of internal controls. During FY2021, the Group's external and internal auditors have conducted their annual review respectively on the adequacy and effectiveness of the Group's material internal controls procedures, including financial, operational, compliance and information technology controls as well as risk management system and these were reported to the Audit and Risk Committee. On behalf of the Board, the Audit and Risk Committee has also reviewed the adequacy and effectiveness of the Group's system of risk management and internal controls in light of the key business and financial risks affecting its business.

The Board has received assurance from:

(a) the CEO and COO and the Finance Manager ("**FM**") that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the CEO and COO and other key Management personnel who are responsible, regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

Commentaries are provided to Shareholders in the Company's annual reports to enable them to make an informed assessment of the Group's risk management framework and internal control systems.

The Group has established its enterprise risk management framework to manage its exposure to risks that it is exposed to in the conduct of its business. The Group has engaged an external risk management consultant, TRS Forensics Pte. Ltd. ("**TRS**"), to undertake the enterprise strategy and risk assessment exercise. In accordance with the internal audit plan approved and adopted by the Audit and Risk Committee, internal audit reports have been prepared for review by the Audit and Risk Committee. The objectives of the audit were to review the adequacy and appropriateness of the internal policies and procedures in deriving a sound system of risk management and internal controls, including financial, operational, compliance and information technology controls, within the subsidiaries under review and the Group, in deriving the Group's strategies. From the internal audit review exercise conducted by TRS, there was no material control weakness that would hamper the operations or control breakdowns that would lead to major financial impact to the subsidiaries under review and the Group. In conclusion, the systems of internal controls in place on major processes covered under audits are adequate and effective in meeting the needs of the subsidiaries under review and the Group to address the financial, operational, compliance and information technology control risks. Nonetheless, TRS has recommended certain actions and additional controls to further enhance the operational and control efficiencies for the subsidiaries under review and the Group, which will be implemented by the Group.

Based on the work carried out by the internal auditors, the review undertaken by the external auditors, the existing management controls in place and the assurance received from the CEO and COO, the FM and other key Management personnel, the Audit and Risk Committee and the Board are of the opinion that, for the financial year under review, the internal controls (including financial, operational, compliance and information technology controls) in place in the Group, and the Group's risk management systems are effective and adequate.

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The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. While no system can provide absolute assurance against the occurrence of material errors, financial misstatement, poor judgement in decision-making, human error, losses, fraud and other irregularities, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication is reliable. In designing these controls, the Company has had regard to the risks to which the business is exposed to, the likelihood of such risks occurring and the costs of protecting against them. The Board, together with the Audit and Risk Committee and the Management, will continue to enhance and improve the existing risk management framework and internal control systems to identify and mitigate these risks.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

In line with the recommendation of the Code, the Audit and Risk Committee assists the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies.

In accordance with the terms of reference of the Audit and Risk Committee, the duties and responsibilities of the Audit and Risk Committee include, among others:-

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) reviewing the half year and full year financial statements of the Company before submission to the Board for approval, focusing in particular, on:-

  (i) changes in accounting policies and practices;

  (ii) major risk areas;

  (iii) significant adjustments resulting from the audit;

  (iv) going concern statement;

  (v) compliance with accounting standards; and

  (vi) compliance with stock exchange and statutory / regulatory / requirements;

(c) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;

(d) reviewing the assurance from the CEO and the FM on the financial records and financial statements;

(e) making recommendations to the Board on: (i) the proposals to Shareholders on the appointment and removal of the external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(f) reviewing the adequacy, effectiveness, independence, scope and results of the external audit;

(g) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;

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(h) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;

(i) reviewing and advising the Board on any interested person transaction;

(j) reviewing with the external auditors:-

  (i) the audit plan, including the nature and scope of the audit before the audit commences;

  (ii) their evaluation of the system of internal accounting controls;

  (iii) their audit report; and

  (iv) their management letter and the Management's response;

(k) reviewing the assistance given by the Management to the external and internal auditors; and

(l) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the Management's response.

The Audit and Risk Committee comprises three Non-Executive Directors, namely Mr. Ong Beng Chye ("**AC Chairman**"), Mr. Jens Rasmussen and Ms. Joanne Khoo Su Nee, the majority of whom, including the AC Chairman, are independent. Members of the Audit and Risk Committee are appropriately qualified and have recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities.

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the Audit and Risk Committee:

(a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and

(b) in any case, for as long as they have any financial interest in the auditing firm or auditing corporation.

As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Group has therefore appointed a professional internal audit firm to undertake the functions of its internal audit. For the financial year under review, the Group's internal auditor is TRS. The internal auditors' primary line of reporting is to the Audit and Risk Committee. The Audit and Risk Committee also decides on the appointment, termination and remuneration of the professional firm to which the internal audit function is outsourced. On a yearly basis, the Audit and Risk Committee reviews whether the internal audit function is independent, objective and free from undue influence, effective and demonstrates competence and due professional care, and is adequately resourced and has appropriate standing within the Group.

For FY2021, the Audit and Risk Committee has reviewed and ensured that the internal auditors are adequately resourced with persons with the relevant qualifications and experience and have appropriate standing within the Group, and the internal audit function is independent, objective, free from undue influence and effective. The internal auditors have carried out their function taking guidance from the standards set by nationally or internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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The Group's internal audits are conducted with the following objectives:-

- to review the effectiveness of the Group's system of internal controls to address key business and operational risks;
- to review compliance to the system of internal controls; and
- to assess whether operations are conducted in an effective and efficient manner.

The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including the Audit and Risk Committee. The internal auditors discuss and agree on the annual internal audit plan with the Audit and Risk Committee at the beginning of each financial year. Subsequent internal audit findings and corresponding Management responses to address these findings are reported at the meetings of the Audit and Risk Committee. The Audit and Risk Committee is continually working with the internal auditors to improve on the existing internal control and risk management systems.

The Audit and Risk Committee's primary role is to investigate any matter within its terms of reference. It has full access to, and the co-operation of, the Management and full discretion to invite any Director or executive to attend its meetings. The Audit and Risk Committee has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. In performing its functions, the Audit and Risk Committee and the Management meet with the external and internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both external and internal audit. The Audit and Risk Committee also meets regularly with the Management, the FM and external auditors to keep abreast of any change to the accounting standards and issues which could have an impact on the Group's financial statements. At least once a year and as and when required, the Audit and Risk Committee meets with the external and internal auditors without the presence of the Management, to review any matter that might be raised privately.

The external auditors are responsible for performing an independent audit of the Group's financial statements in accordance with the financial reporting standards, and for issuing a report thereon. The Audit and Risk Committee's responsibility is to monitor these processes, as well as to review the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors. In relation to the key audit matters raised in the Independent Auditor's Report, the Audit and Risk Committee noted the external auditors' independent opinion on the Management's accounting, treatment and estimates and concluded that they are appropriate and the Audit and Risk Committee is satisfied that the key audit matters, after taking into consideration, *inter alia*, the approach and methodology used, have been properly dealt with.

The Audit and Risk Committee has also conducted an annual review of the independence of the external auditors of the Company, and has satisfied itself on the independence and objectivity of the external auditors of the Company. The total amount of audit fees paid to the external auditors of the Company for audit services rendered for FY2021 was S$97,400. No non-audit services were rendered by the external auditors of the Company for FY2021, and accordingly no non-audit fees were paid to the external auditors of the Company for FY2021.

BDO LLP has served as the external auditors of the Company since the financial year ended 31 December 2015 and was re-appointed as the external auditors of the Company at the last AGM held on 27 April 2021 until the conclusion of the forthcoming AGM. For the audit of the current financial year ending 31 December 2022, BDO LLP will not be seeking re-appointment and the Audit and Risk Committee has recommended to the Board, and the Board has accepted the appointment of Mazars LLP in place of BDO LLP as the external auditors of the Company, subject to Shareholders' approval at the forthcoming AGM. In proposing to Shareholders on the appointment of Mazars LLP as the Company's external auditors in place of BDO LLP and in line with Rule 712 of the Catalist Rules, the Board and the Audit and Risk Committee have considered and are satisfied with the adequacy of the resources and experience of Mazars LLP and the audit partner-in-charge assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit. Mazars LLP has also confirmed its independence and that it is registered with the Accounting and Corporate Regulatory Authority and approved under the Accountants Act 2004 of Singapore. The audit partner-in-charge assigned to the audit is a registered public accountant under the Accountants Act 2004 of Singapore. Further information on the proposed change of external auditors of the Company from BDO LLP to Mazars LLP is set out in the Addendum to the Notice of AGM dated 11 April 2022.

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The Board and the Audit and Risk Committee are satisfied that the Company is in compliance with Rule 715 of the Catalist Rules. The external auditors appointed for the Company's significant subsidiaries for FY2021 are set out in the notes to financial statements at pages 87 to 93 of this annual report. For FY2021, the Company is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of auditing firms for the Group.

To achieve a high standard of corporate governance for the operations of the Group, the Group has put in place a whistle-blowing policy which encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the chairman of the Audit and Risk Committee. The objective of such policy is to provide for procedures to validate concerns on misconduct or wrongdoing relating to the Company and its officers and to ensure independent investigation of such matters and for appropriate follow-up action. The Company has designated an independent function to investigate whistle-blowing reports made in good faith. The Audit and Risk Committee is responsible for oversighting and monitoring of whistleblowing. The Audit and Risk Committee will treat all information received confidentially and protect the identity and the interest of all whistle-blowers against detrimental or unfair treatment. Anonymous disclosures will be accepted and anonymity honoured. The whistle-blowing policy is published in the Company's corporate website and has been circulated to all employees. No whistle-blowing reports were received in FY2021.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The Company treats all Shareholders fairly and equitably in order to enable them to exercise Shareholders' rights and have the opportunity to communicate their views on matters affecting the Company The Company gives Shareholders a balanced and understandable assessment of its performance, position and prospects.

In recognition of the importance of treating all Shareholders fairly and equitably, the Company aims to protect and facilitate the exercise of ownership rights by all Shareholders, and continually review and update such governance arrangements. The Company also notes that Shareholders have the right to be sufficiently informed of changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares. The Company will ensure that Shareholders have equal opportunity to participate effectively in and vote at general meetings of shareholders, and will brief Shareholders on the rules, including voting procedures, that govern the general meetings. Pursuant to Article 77 of the Constitution, Shareholders may appoint not more than two proxies to attend, speak and vote at the same general meeting. However, the Company allows Shareholders who are relevant intermediaries (as defined under Section 181(6) of the Companies Act) to appoint more than two proxies to attend, speak and vote at general meetings.

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. The Company will put all resolutions to vote by poll and make an announcement on the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings.

All Directors endeavour to attend the general meetings of shareholders to address any questions that the shareholders may have. The external auditors of the Company are also present at annual general meetings to address shareholders queries about the conduct of audit and the preparation and content of the auditors' report.

Name of Director	AGM held on 27 April 2021
Mr. Ong Beng Chye	Present
Mr. Low Chee Wee	Present
Mr. Eddy Neo Chiang Swee	Present
Ms. Joanne Khoo Su Nee	Present
Mr. Jens Rasmussen	Present

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Save for the last AGM held on 27 April 2021, there were no other general meetings of the Company held during FY2021.

Information on general meetings is disseminated through notices in the annual report or circulars sent to all Shareholders. The notices are also released via the SGXNet and published in local newspapers.

The Constitution allows Shareholders to appoint proxies to attend, speak and vote in their stead at general meetings.

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of Shareholders' identities through the web are not compromised.

General meetings of the Company represent the principal forum for dialogue and interaction with all Shareholders. Resolutions at general meetings of the Company are on each substantially separate issue. At each AGM, the Board presents the progress and performance of the Group's businesses and invites all Shareholders to participate in the questions and answers session. The Directors, including the respective chairman of the Board Committees and the Management are in attendance at the AGMs to allow Shareholders the opportunity to air their views and ask the Directors or the Management questions regarding the Group. The external auditors also attend the AGMs to assist the Directors in answering any query relating to the conduct of the audit and the preparation and content of the auditors' report. The Company publishes minutes of general meetings of Shareholders on its corporate website, and such minutes are also readily provided to Shareholders upon request. The minutes of general meetings record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and the Management.

For FY2021, due to the COVID-19 pandemic and the work-from-home arrangement encouraged by the Singapore Government, the Company's last AGM held on 27 April 2021 ("**2021 AGM**") was held by way of electronic means, through "live" audio-visual webcast and "live" audio-only stream. The notice of AGM was not published in the newspaper, but was instead disseminated to Shareholders through publication on SGXNet and the Company's corporate website, in accordance with the alternative arrangements for holding of general meetings approved by the relevant authorities. The Company had also published a notice to Shareholders, together with the notice of AGM, detailing the alternative arrangements for the 2021 AGM. Shareholders participated in the 2021 AGM via electronic means, voting by appointing the Chairman of the 2021 AGM as proxy and their questions (if any) in relation to any resolution set out in the notice of AGM were sent to the Company in advance of the 2021 AGM, and responses to substantial and relevant questions were provided via announcement on SGXNet and the Company's corporate website. The Company did not receive any question from Shareholders before the 2021 AGM. In respect of the 2021 AGM, the Company published the minutes of the 2021 AGM on SGXNet and the Company's corporate website within one month from the date of the 2021 AGM.

As a precautionary measure due to the current COVID-19 situation in Singapore, the forthcoming AGM in respect of FY2021 will also be convened and held by electronic means in accordance with the alternative arrangements for holding of general meetings approved by the relevant authorities. Please refer to the notice of AGM dated 11 April 2022 as set out in this annual report and the letter to Shareholders regarding the forthcoming AGM for more information on the alternative arrangements put in place for the forthcoming AGM in respect of FY2021.

The Company currently does not have a formal policy on payment of dividends. The Company may declare dividends by way of an ordinary resolution of Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may also declare an interim dividend without the approval of Shareholders. No dividend was declared/recommended for FY2021 in view of the net loss position of the Group for FY2021.

CORPORATE GOVERNANCE REPORT

Engagement with Shareholders

Principle 12: The Company communicates regularly with its Shareholders and facilitates the participation of Shareholders during general meetings and other dialogues to allow Shareholders to communicate their views on various matters affecting the Company.

The Company facilitates the participation of Shareholders during general meetings and other dialogues to allow Shareholders to communicate their views on various matters affecting the Company. The Company provides avenues for communication between the Board and all shareholders. To allow the Board to solicit and understand the views of Shareholders, Shareholders are encouraged to attend the annual general meetings and extraordinary general meetings of the Company to ensure high level of accountability and to stay appraised of the Group. Shareholders are given an opportunity to air their views and ask questions regarding the Company and the Group.

In line with continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, the Board's policy is for Shareholders to be informed promptly of all major developments that would, or are likely to, impact the Group. The Company does not practice selective disclosure of material information. Information is communicated to Shareholders on a timely basis through the SGXNet. Communication is also made through the half year and full year financial statements, sustainability reports and annual reports issued to all Shareholders, within the mandatory period. The Company maintains a corporate website at http://www.esgroup.com.sg/ through which Shareholders are able to access up-to-date information on the Group. The website provides corporate announcements, annual reports, sustainability reports and profiles of the Group, the Board and Board Committees.

To actively engage and promote regular, effective and fair communication with Shareholders, the Company actively engages Shareholders and has put in place an effective investor relations policy which allows for an ongoing exchange of views. The investor relations policy sets out a mechanism through which Shareholders may contact the Company with questions and through which the Company may respond to such questions.

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Group regularly engages its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations. The Group has also undertaken a process to determine the economic, environmental, social and governance issues, which are important to these stakeholders.

Detailed approach to the stakeholder engagement and materiality assessment will be disclosed in the Group's sustainability report for FY2021, which will be published by end May 2022 to keep stakeholders informed on the Group's business and operations.

To promote regular, effective and fair communication with stakeholders, the Company maintains a corporate website at http://www.esgroup.com.sg/ which provides corporate announcements, annual reports, sustainability reports, press releases and other information pertaining to the Group, through which stakeholders are able to access up-to-date information on the Group.

MATERIAL CONTRACTS

Save for the service agreements entered into between each of the Executive Directors of the Company (namely, Mr. Low Chee Wee and Mr. Eddy Neo Chiang Swee) and the Company, and as disclosed below in the section entitled "Interested Person Transactions", there were no material contracts or loans entered into by or taken up by the Group involving the interests of the CEO or any Director or controlling Shareholder either still subsisting at the end of FY2021 or if not then subsisting, entered into since the end of FY2020.

CORPORATE GOVERNANCE REPORT

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees payable or paid to ZICO Capital Pte. Ltd. in FY2021.

DEALINGS IN SECURITIES

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Catalist Rules on dealings in the Company's securities. The Company has devised and adopted its own internal compliance code to provide guidance to the Directors and all employees with regard to dealing in the Company's securities. The Company prohibits the Directors and all employees from dealing in the Company's securities on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial results and ending on the date of announcement of the results. The Board is kept informed when a Director trades in the Company's securities. The Directors and all employees are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit and Risk Committee and that the transactions are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. All interested person transactions are subject to review by the Audit and Risk Committee to ensure compliance with established procedures.

The Company does not have a general mandate from Shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules. The aggregate value of interested person transactions entered into during FY2021 as required for disclosure pursuant to Rule 1204(17) of the Catalist Rules is as follows:-

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transaction during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
Mr. Low Chye Hin - Professional fee	Mr. Low Chye Hin, the Group's consultant, is the father of Mr. Low Chee Wee (Executive Director, CEO and COO of the Company, and a controlling Shareholder), Mr. Christopher Low Chee Leng (a controlling Shareholder) and Ms. Yvonne Low-Triomphe (a controlling Shareholder), and spouse of Mdm Neo Peck Keow @ Ng Siang Keng (a controlling Shareholder).	202	-
Total		**202**	**-**

The Board confirms that the above interested person transaction was entered into on an arm's length basis and on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

APPENDIX

Additional Information on Directors nominated for re-election – Appendix 7F to the Catalist Rules

The following table sets out the additional information on Mr. Ong Beng Chye and Mr. Jens Rasmussen, being the Directors who are retiring in accordance with the Constitution and are seeking for re-appointment at the forthcoming AGM, pursuant to Rule 720(5) of the Catalist Rules.

Name of Director	Ong Beng Chye	Jens Rasmussen
Date of first appointment	23 November 2018	1 January 2010
Date of last re-appointment (if applicable)	26 April 2019	5 June 2020
Age	53	67
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-elections of Mr. Ong Beng Chye and Mr. Jens Rasmussen as Directors of the Company were recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration their respective qualifications, experiences, skills and expertise, as well as overall contributions and performances since their respective appointment as a Director of the Company.	
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Chairman and Independent Director, Chairman of the Audit and Risk Committee and the Nominating Committee, as well as a member of the Remuneration and Compensation Committee	Non-Independent Non-Executive Director and a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration and Compensation Committee
Professional qualifications	Bachelor of Science with Honours, City, University of London Fellow of The Institute of Chartered Accountants in England and Wales Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts Non-practising member of the Institute of Singapore Chartered Accountants	Master of Science in Engineering, Technical University of Denmark, Copenhagen
Working experience and occupation(s) during the past 10 years	January 2007 to Present: Director of Appleton Global Private Limited January 2007 to October 2014: Group Financial Controller of Higson International Pte Ltd	2006 to Present: Owner, Raza Service January 2007 to February 2016: Managing Director, Floatel Singapore Pte Ltd

APPENDIX

Name of Director	Ong Beng Chye	Jens Rasmussen
Shareholding Interest in the listed issuer and its subsidiaries	As at 21 March 2022, Mr. Ong Beng Chye holds a direct interest in 1,925,000 shares of the Company (representing 1.36% of the issued share capital of the Company) held under DBS Nominees Pte. Ltd..	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr. Ong Beng Chye is a shareholder of the Company, details as set out above.	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 702(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships		
Past (for the last 5 years)	Directorships: • Heatec Jietong Holdings Ltd. • Kitchen Culture Holdings Ltd. • Shin-Omi International Pte. Ltd. • Gem Accounting Pte. Ltd. Other Principal Commitment: Nil	Nil
Present	Directorships: • Hafary Holdings Limited • Geo Energy Resources Limited • IPS Securex Holdings Limited • CapAllianz Holdings Limited • Gem Corp Services Pte. Ltd. • Appleton Global Private Limited • Alpina Holdings Limited Other Principal Commitment: Nil	Nil

APPENDIX

Name of Director	Ong Beng Chye	Jens Rasmussen
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

APPENDIX

Name of Director	Ong Beng Chye	Jens Rasmussen
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

DIRECTORS' STATEMENT

The directors of ES Group (Holdings) Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2021 and the statement of financial position of the Company as at 31 December 2021 and statement of changes in equity of the Company for the financial year ended 31 December 2021.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are as follows:

Ong Beng Chye (Non-Executive Chairman and Independent Director)
Low Chee Wee (Chief Executive Officer)
Eddy Neo Chiang Swee
Joanne Khoo Su Nee
Jens Rasmussen

3. Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company or its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act 1967 (the "Act"), except as follows:

Name of directors and companies in which interest are held	**Shareholdings registered in name of director or nominee**			**Shareholdings in which a director is deemed to have an interest**		
	At beginning of year	**At end of year**	**At 21/1/2022**	**At beginning of year**	**At end of year**	**At 21/1/2022**
ES Group (Holdings) Limited						
(Number of ordinary shares)						
Low Chee Wee	33,655,000	33,780,000	33,780,000	53,540,000	53,540,000	53,540,000
Eddy Neo Chiang Swee	6,000,000	6,000,000	6,000,000	3,600,000	3,600,000	3,600,000
Ong Beng Chye	1,925,000	1,925,000	1,925,000	-	-	-

DIRECTORS' STATEMENT

By virtue of Section 7 of the Act, Mr Low Chee Wee is deemed to have an interest in the shares of all the subsidiaries of the Company as at the beginning and end of the financial year.

In accordance with the continuing listing requirements under the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), the directors of the Company state that, according to the Register of Directors' Shareholdings, the directors' interests as at 21 January 2022 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2021.

5. Share options

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

6. Audit and risk committee

At the date of this report, the Audit and Risk Committee comprises the following members:

Ong Beng Chye	Non-Executive Chairman and Independent Director
Jens Rasmussen	Non-Independent Non-Executive Director
Joanne Khoo Su Nee	Independent Non-Executive Director

The Audit and Risk Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, external and internal auditors of the Company:

(a) the audit plans of the internal and external auditors and the reports of the examination and evaluation of the Company's and the Group's systems of internal controls issued by the internal auditors;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) the half-yearly and annual announcements as well as the related press releases (if any) on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's internal and external auditors;

(f) the appointment of the external auditors of the Company; and

(g) interested person transactions (as defined in Chapter 9 of the Catalist Rules).

The Audit and Risk Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

DIRECTORS' STATEMENT

7. Additional disclosure requirements of the Catalist Rules

The auditors of the subsidiaries of the Company are disclosed in Note 10 to the financial statements. In the opinion of the Board of Directors and Audit and Risk Committee, Rules 712 and 715 of the Catalist Rules have been complied with.

On behalf of the Board of Directors

Low Chee Wee
Director

Eddy Neo Chiang Swee
Director

Singapore
28 March 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of ES Group (Holdings) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ES Group (Holdings) Limited (the Company) and its subsidiaries (the Group), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of ES Group (Holdings) Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Revenue recognition arising from new building and repair operating segment	
The Group's revenue streams are mainly from new building and repair of vessels, which accounted for 66% of the Group's total revenue. It involves long term contracts and revenue is recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation. The stage of completion is measured using the input method by actual costs incurred to-date. Significant management judgements and estimation are required in determining the estimated project recovery rates which take into account various factors, including the historical project recovery rates of other projects. We focused on this area as a key audit matter due to the significant judgements and estimation involved. Refer to notes 2.16, 3.2(b) and 22 of the accompanying financial statements.	Our audit procedures include, amongst others, the following: ▪ Tested the operating effectiveness of the key controls identified for the revenue and receipt cycle and the direct wages and payment cycle; ▪ For completed projects, evaluated the accuracy and existence of the revenue recognised by checking against customer acknowledged documents and final billings on a sample basis and evaluated the completeness of revenue recognised by selecting samples obtained from completion reports acknowledged by customers and tracing to the revenue listing; ▪ For uncompleted projects, on selected samples basis, evaluated the reasonableness of management's estimated project margins, by checking against costing sheets, payroll information, historical rates of other projects and credit notes issued after the year end; ▪ Assessed for foreseeable losses for uncompleted projects at year end; and ▪ Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of ES Group (Holdings) Limited

KEY AUDIT MATTER	AUDIT RESPONSE
2 Impairment assessment of vessel	
As at 31 December 2021, the Group's vessels amounted to $11,059,490 (including an accumulated impairment of $535,293), which accounted for 59% of the Group's property, plant and equipment and 29% of the Group's total assets. During the financial year, management carried out an impairment assessment on the Group's vessels as there were indicators that it may be impaired. For the purposes of impairment assessment, management has determined the recoverable amount of the vessels based on their fair value less costs of disposal. The fair values of the vessels are determined by an independent professional valuer. Based on their valuations, there was a reversal of impairment loss of $264,707. We focused on this area as a key audit matter because of the high level of judgement involved in estimating the fair values. Refer to notes 2.5, 3.2(a) and 14 of the accompanying financial statements.	Our audit procedures include, amongst others, the following: ▪ Assessed management's determination as to whether there is an indication of impairment of the vessels; ▪ Evaluated the competence, capabilities and objectivity of the external valuer engaged by the management; ▪ Analysed the methodologies and key valuation parameters adopted by the external valuer; ▪ Reviewed management's estimation as to whether the recoverable amounts are reasonable in the current circumstances; and ▪ Assessed the adequacy of the related disclosure in the financial statements with respect to the impairment assessment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the Members of ES Group (Holdings) Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

To the Members of ES Group (Holdings) Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tei Tong Huat.

BDO LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
ASSETS					
Current assets					
Cash and short-term deposits	4	8,846,643	20,150,648	39,363	115,479
Trade receivables	5	6,374,945	5,879,084	59	66
Contract assets	6	3,137,003	2,629,804	-	-
Other receivables	7	670,171	838,023	12,817,056	19,680,387
Inventories	8	616,804	456,990	-	-
Total current assets		19,645,566	29,954,549	12,856,478	19,795,932
Non-current assets classified as held for sale	9	-	-	-	-
		19,645,566	29,954,549	12,856,478	19,795,932
Non-current assets					
Deposits	7	96,981	5,875	-	-
Investments in subsidiaries	10	-	-	19,283,128	19,153,592
Investment in an associate	11	-	-	-	-
Investment in a joint venture	12	219,193	232,700	-	-
Club membership	13	49,500	49,500	-	-
Property, plant and equipment	14	18,597,600	13,172,873	-	-
Total non-current assets		18,963,274	13,460,948	19,283,128	19,153,592
Total assets		38,608,840	43,415,497	32,139,606	38,949,524
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	15	1,901,060	757,245	-	-
Trade payables	16	1,958,203	936,022	-	-
Contract liabilities	6	42,920	76,514	-	-
Other payables	17	3,285,842	3,847,154	12,292,985	12,373,065
Lease liabilities	18	170,117	157,869	-	-
Income tax payable		38,145	359,624	19,104	-
Total current liabilities		7,396,287	6,134,428	12,312,089	12,373,065

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021	2020	2021	2020
		$	$	$	$
Non-current liabilities					
Bank loans	15	4,999,901	4,242,755	-	-
Lease liabilities	18	661,668	766,301	-	-
Deposits		40,000	-	-	-
Total non-current liabilities		5,701,569	5,009,056	-	-
Capital, reserves and non-controlling interests					
Share capital	19	23,698,348	23,698,348	23,698,348	23,698,348
Statutory surplus reserve	20	441,710	441,710	-	-
Retained earnings/(Accumulated losses)		20,265,321	26,636,995	(3,870,831)	2,878,111
Currency translation reserve		(239,473)	(198,583)	-	-
Merger reserve	21	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		25,595,438	32,008,002	19,827,517	26,576,459
Non-controlling interests		(84,454)	264,011	-	-
Total equity		25,510,984	32,272,013	19,827,517	26,576,459
Total liabilities and equity		38,608,840	43,415,497	32,139,606	38,949,524

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $	2020 $
Revenue	22	20,949,020	17,533,055
Cost of services	23	(21,888,572)	(14,522,964)
Gross (loss)/profit		(939,552)	3,010,091
Other operating income	24	2,409,918	5,696,470
Administrative expenses		(5,839,246)	(6,041,455)
Other operating expenses	25	(1,784,581)	(2,040,875)
Finance costs	26	(162,754)	(146,121)
(Loss)/profit before share of results of a joint venture		(6,316,215)	478,110
Share of results of a joint venture	12	(1,476)	(17,300)
(Loss)/profit before income tax	27	(6,317,691)	460,810
Income tax expense	28	(19,036)	(125,352)
(Loss)/profit for the year		(6,336,727)	335,458
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, representing other comprehensive income for the financial year, net of tax		(71,302)	28,586
Total comprehensive (loss)/income for the year		(6,408,029)	364,044
(Loss)/profit attributable to:			
Owners of the parent		(6,018,674)	981,296
Non-controlling interests		(318,053)	(645,838)
		(6,336,727)	335,458
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(6,059,564)	987,057
Non-controlling interests		(348,465)	(623,013)
		(6,408,029)	364,044
Basic and diluted (loss)/earnings per share (cents)	29	(4.26)	0.69

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Share capital	Statutory surplus reserve	Retained earnings	Currency translation reserve	Merger reserve	Equity attributable to owners of the Company	Non-controlling interests	Total
		Attributable to owners of the Company							
		$	$	$	$	$	$	$	$
Group									
Balance at 1 January 2021		23,698,348	441,710	26,636,995	(198,583)	(18,570,468)	32,008,002	264,011	32,272,013
Total comprehensive loss for the year:									
- Loss for the year		-	-	(6,018,674)	-	-	(6,018,674)	(318,053)	(6,336,727)
- Other comprehensive loss for the year		-	-	-	(40,890)	-	(40,890)	(30,412)	(71,302)
Total		-	-	(6,018,674)	(40,890)		(6,059,564)	(348,465)	(6,408,029)
Transactions with owners, recognised directly in equity:									
- Dividends	30	-	-	(353,000)	-	-	(353,000)	-	(353,000)
Balance at 31 December 2021		23,698,348	441,710	20,265,321	(239,473)	(18,570,468)	25,595,438	(84,454)	25,510,984

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Attributable to owners of the Company							
	Note	**Share capital**	**Statutory surplus reserve**	**Retained earnings**	**Currency translation reserve**	**Merger reserve**	**Equity attributable to owners of the Company**	**Non-controlling interests**	**Total**
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Group									
Balance at 1 January 2020		23,698,348	451,250	26,281,559	(204,344)	(18,570,468)	31,656,345	(423,392)	31,232,953
Total comprehensive income for the year:									
- Profit for the year		-	-	981,296	-	-	981,296	(645,838)	335,458
- Other comprehensive income for the year		-	-	-	5,761	-	5,761	22,825	28,586
Total		-	-	981,296	5,761	-	987,057	(623,013)	364,044
Transactions with owners, recognised directly in equity:									
- Transfer to statutory surplus reserve		-	(9,540)	9,540	-	-	-	-	-
- Increase in share capital of a subsidiary	10	-	-	-	-	-	-	1,310,416	1,310,416
- Dividends	30	-	-	(635,400)	-	-	(635,400)	-	(635,400)
Total		-	(9,540)	(625,860)	-	-	(635,400)	1,310,416	675,016
Balance at 31 December 2020		23,698,348	441,710	26,636,995	(198,583)	(18,570,468)	32,008,002	264,011	32,272,013

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Share capital $	Retained earnings/ (Accumulated losses) $	Total $
Company				
Balance at 1 January 2021		23,698,348	2,878,111	26,576,459
Loss for the year, representing total comprehensive loss for the year		-	(6,395,942)	(6,395,942)
Transactions with owners, recognised directly in equity - Dividends	30	-	(353,000)	(353,000)
Balance at 31 December 2021		23,698,348	(3,870,831)	19,827,517
Balance at 1 January 2020		23,698,348	2,012,438	25,710,786
Profit for the year, representing total comprehensive income for the year		-	1,501,073	1,501,073
Transactions with owners, recognised directly in equity - Dividends	30	-	(635,400)	(635,400)
Balance at 31 December 2020		23,698,348	2,878,111	26,576,459

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $	Group 2020 $
Operating activities			
(Loss)/profit before income tax		(6,317,691)	460,810
Adjustments for:			
Bad debts written off		10	-
Interest income	24	(6,120)	(41,829)
Interest expense	26	198,148	146,121
Property, plant and equipment written off		-	1,207
Share of results of a joint venture		1,476	17,300
Reversal of impairment of property, plant and equipment	14	(264,707)	-
Impairment on goodwill from joint venture	12	12,031	-
(Reversal of)/loss allowance made for third party trade receivables	5	(36,348)	255,999
Depreciation of property, plant and equipment	14	1,261,716	1,180,983
Gain on disposal of property, plant and equipment		(83,126)	(36,110)
Gain on disposal of non-current assets classified as held for sale		-	(1,364,918)
		(5,234,611)	619,563
Changes in working capital			
Trade receivables		(485,398)	982,410
Contract assets		(509,677)	170,153
Other receivables		56,193	15,096
Inventories		(183,779)	56,397
Trade payables		1,036,168	(243,109)
Contract liabilities		(30,820)	76,514
Other payables		(127,969)	(772,578)
Cash (used in)/from operations		(5,479,893)	904,446
Interest received		6,120	41,829
Income tax paid		(342,886)	(668,165)
Net cash (used in)/provided by operating activities		(5,816,659)	278,110
Investing activities			
Proceeds on disposal of property, plant and equipment		83,394	37,299
Proceeds on disposal non-current assets classified as held for sale		-	5,400,648
Investment in a joint venture	12	-	(250,000)
Increase in share capital of a subsidiary by non-controlling interests	10	-	1,310,416
Purchases of property, plant and equipment	14	(6,712,892)	(309,549)
Net cash (used in)/provided by investing activities		(6,629,498)	6,188,814

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $	Group 2020 $
Financing activities (Note A)			
Fixed deposit pledged		-	104,653
Interest paid		(196,897)	(146,121)
Dividends paid		(353,000)	(635,400)
Proceeds from term loans		2,741,800	4,000,000
Repayments of:			
Term loans		(802,682)	(4,000,354)
Principal portion of lease liabilities		(172,385)	(149,773)
Repayment of loan from a director of subsidiary		-	(1,310,416)
Net cash provided by/(used in) financing activities		1,216,836	(2,137,411)
Net (decrease)/increase in cash and cash equivalents		(11,229,321)	4,329,513
Cash and cash equivalents at beginning of the financial year		19,807,066	15,471,363
Effects of exchange rate changes on the balance of cash held in foreign currencies		(82,590)	6,190
Cash and cash equivalents at end of the financial year	4	8,495,155	19,807,066

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Note A: Reconciliation of liabilities arising from financing activities

			← Non-cash changes	→	
	2020	**Cash flows, net**	**Addition of lease**	**Foreign exchange differences**	**2021**
	$	**$**		**$**	**$**
Bank loans (Note 15)	5,000,000	1,939,118	-	(38,157)	6,900,961
Lease liabilities (Note 18)	924,170	(172,385)	80,000	-	831,785
Loan from a director of a subsidiary (Note 17)	2,076,037	-	-	(168,589)	1,907,448
	8,000,207	1,766,733	80,000	(206,746)	9,640,194

			← Non-cash changes	→	
	2019	**Cash flows, net**	**Reclassification**	**Foreign exchange differences**	**2020**
	$	**$**	**$**	**$**	**$**
Bank loans (Note 15)	5,000,354	(354)	-	-	5,000,000
Lease liabilities (Note 18)	1,030,916	(149,773)	43,027	-	924,170
Loan from a director of a subsidiary (Note 17)	3,474,625	(1,310,416)	-	(88,172)	2,076,037
	9,505,895	(1,460,543)	43,027	(88,172)	8,000,207

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

ES Group (Holdings) Limited (the "Company") is a public company limited by shares, incorporated and domiciled in the Republic of Singapore with its registered office at 8 Ubi Road 2 #06-26 Zervex Singapore 408538. The Company's registration number is 200410497Z.

The Company is listed on Catalist of the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of an investment holding company and provider of management and technical services. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

The Group's ultimate controlling parties are Ms Neo Peck Keow @ Ng Siang Keng and close family members.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company and the statement of changes in equity of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

New standards, amendments and interpretations effective from 1 January 2021

In the current financial year, the Group and the Company have adopted all the new or revised SFRS(I)s and SFRS(I) INT that are relevant to its operations and effective for the current financial year. The adoption of these new or revised SFRS (I) and SFRS (I) INT did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

SFRS(I)s and INT SFRS(I)s issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s that may be relevant to the Group were issued but not yet effective.

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: *Amendment to SFRS(I) 16: Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
SFRS(I) 1-16 (Amendments)	: *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
SFRS(I) 1-37 (Amendments)	: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
SFRS(I) 3 (Amendments)	: *Reference to the Conceptual Framework*	1 January 2022
Various (Amendments)	: *Annual Improvements to SFRS(I)s 2018-2020*	1 January 2022
SFRS(I) 1-1 (Amendments)	: *Classification of Liabilities as Current or Non-current*	1 January 2023
Various (Amendments)	*Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies*	1 January 2023
SFRS(I) 1-8 (Amendments)	: Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
SFRS(I) 1-12, SFRS(I) 1 (Amendments)	Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Consequential amendments were also made to various standards as a result of these new or revised standards.

The management anticipates that the adoption of the above SFRS(I)s, where relevant, in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Where a business combination involves entities or businesses under common control, it is outside the scope of SFRS(I) 3 and may be accounted for using the pooling of interest method or the acquisition method (when the transaction has substance from the perspective of the reporting entity). The following is an illustrative accounting policy where the pooling of interest method is applied:

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.
- No goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.4 Merger reserve

Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition under common control.

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at cost, except in the case where an impairment is deemed to have occurred. Loss on the impairment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the shorter of period to next estimated dry-docking. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off in the month of the next dry-docking.

Other assets consist of office equipment, furniture and fittings, air conditioner, renovations, computer software and container.

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives, on the following bases:

Leasehold land and property	over the terms of lease which are from 2% to 5%
Freehold property	5% to 10%
Land improvement	10%
Plant, machinery and equipment	10% to 33%
Motor vehicles	20%
Vessels	4% to 5%
Dry dock	20% to 40%
Other assets	20% to 33%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

2.6 Intangible assets

Club membership

Club membership is stated at cost less any impairment loss and has indefinite useful life as membership can be renewed indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.7 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.2). The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interest in joint venture in the same manner as investments in associates (i.e. using the equity method) as described in Note 2.8 to the financial statements.

2.8 Associate and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate and joint venture are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is accounted as goodwill and included in the carrying amount of the investment in associate or joint venture.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associate or joint venture and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

Where the Group transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. **Summary of significant accounting policies** (Continued)

2.9 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

<u>Initial measurement</u>

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets in "Property, plant and equipment" and lease liabilities separately from other liabilities in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.9 Leases (Continued)

As lessee (Continued)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option. The right-of-use assets are depreciated over the useful life as follows:

	Useful life
Motor vehicles	5 to 7 years
Leasehold land	22 years
Other assets	5 years

Other assets consist of office equipment.

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.10 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities is recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. **Summary of significant accounting policies** (Continued)

2.9 Leases (Continued)

As lessee (Continued)

Subsequent measurement (Continued)

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional asses being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

As lessor

When the Group is a lessor, it determines whether each lease entered is a finance or an operating lease at the lease inception date and reassessed only if there is a lease modification. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Whereas, it is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other operating income".

Any modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.10 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.11 Financial instruments

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets as measured at amortised cost, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off in profit or loss.

At each reporting date, the Group assesses whether trade receivables are credit-impaired. Trade receivables is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that trade receivables have occurred.

Evidence that a trade receivable is credit-impaired includes observable data about the following events:

- significant financial difficulty of debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Impairment provisions for other receivables due from third parties and related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables, (excluding prepayment, value-added tax receivables and government grant receivable), cash and short-term deposits and deposits in the consolidated statements of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.11 Financial instruments (Continued)

Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost.

Trade and other payables

Trade and other payables (excluding deferred government grant income), are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

Interest-bearing bank loans are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.17).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash on hand, demand deposits (excluding pledged deposits) and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, Cash and cash equivalents excludes pledged deposits.

2.14 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingencies are not recognised on the consolidated statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.15 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment. Grants which are receivables in relation to expenses to be incurred in a subsequent financial period, are included as government grant receivables and deferred government grant income and classified as current assets and current liabilities in the statements of financial position.

2.16 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

<u>Rendering of services</u>

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.16 Revenue recognition (Continued)

<u>Rendering of services</u> (Continued)

Rendering of services relates to services on new building, conversion and repair of offshore and marine structures and vessels as well as provision of labour supply. Each promise to deliver services to the customer relates to a single performance obligation, and therefore each transaction price negotiated relates to the performance obligation's standalone price.

Revenue from rendering of services is recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation. The stage of completion is measured using the input method by actual costs incurred to-date. The Group progressively invoices the customer on progress claims, where the Group has right over payment over the value of services transferred to the customer. In the event where the value of services exceeds the rights of payments from the customer, a contract asset is recognised. Where the rights of payments exceed the value of services transferred, a contract liability is recognised.

The costs of fulfilling contracts by the customer do not result in recognition of contract assets if such costs falls within the scope of other SFRS(I)s. The Group will recognise these costs of fulfilling as contract asset only if:

- these costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- these costs generate or enhance resources that will be used in satisfying performance obligations in the future; and
- these costs are expected to be recovered.

<u>Marine supplies income</u>

Revenue from marine supplies relates to the supply of goods delivered to the customer, where revenue is recognised at a point in time when the performance obligation to deliver goods to the customer is fulfilled, based on the transaction price stated in the contract, net of any discounts given. Each batch of goods delivered to the customer is a single performance obligation.

<u>Charter income</u>

Revenue from charter income relates to the provision of ship charter services to customer.

Revenue generated from short term time charter is recognised over time on a straight-line basis over the period of the charter based on the transaction price stated in the contract.

Revenue generated from spot charter is recognised at a point in time upon completion of shipment at discharge port based on the transaction price stated in the contract, as the single performance obligation is fulfilled upon the completion of the charter. Variable consideration may arise in the event that the customer has exceeded an agreed period, where the variable consideration is based on a demurrage rate agreed in the contract. Variable consideration is recognised based on the expected value method.

<u>Rental income</u>

Revenue is recognised over time on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.16 Revenue recognition (Continued)

Interest income

Interest income is recognised using the effective interest rate method.

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.18 Retirement benefit costs

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

2.19 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.20 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and interpretation to applicable tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period. Management evaluates its income tax provisions on periodical basis.

Current income tax expenses are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.20 Taxes (Continued)

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.22 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. Summary of significant accounting policies (Continued)

2.23 Segment reporting (Continued)

The Group determines and presents operating segments based on information that is internally provided to the Group's chief operating decision maker and the Board. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker and the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.24 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less cost to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less cost to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the consolidated financial statements.

a) Control over ES Offshore and Marine Engineering (Thailand) Co., Ltd.

Note 10 to the financial statements describes that ES Offshore and Marine Engineering (Thailand) Co., Ltd. is a subsidiary of the Group although the Group only owns 50% ownership interest in ES Offshore and Marine Engineering (Thailand) Co., Ltd.. Based on the contractual arrangements between the Group and other investors, the Group holds 51% of voting power that give it the ability to direct the relevant activities of ES Offshore and Marine Engineering (Thailand) Co., Ltd. based on simple majority votes. Hence, the directors of the Company assessed and determined that the Group has control over ES Offshore and Marine Engineering (Thailand) Co., Ltd..

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the entity's accounting policies (Continued)

b) Joint control over Proxess Engineering Pte. Ltd.

The Group and a third-party partner hold 51% and 49% of the equity interest in Proxess Engineering Pte. Ltd. ("Proxess") respectively. The management has carried out an assessment to determine whether the Group have control over Proxess. Based on the shareholders agreement entered with the third-party partner, unanimous consent is required for major decisions over the relevant activities of Proxess. Accordingly, the Group concluded that joint control exists and Proxess is classified as a joint venture of the Group (Note 12).

c) Going concern assumption

During the financial year ended 31 December 2021, the Group incurred a net loss of $6,336,727 and net cash used in operating activities of $5,816,659. The directors are of view that it is appropriate for the consolidated financial statements to be prepared on a going concern basis as the Group's current assets and total assets exceeded its current liabilities and total liabilities by $12,249,279 and $25,510,984 respectively. In addition, the Group has cash balances of $8,846,643 as at 31 December 2021.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets are determined by the management based on their highest and best use using its fair value less costs of disposal.

The carrying amounts of property, plant and equipment of the Group as at 31 December 2021 were $18,597,600 (2020: $13,172,873). During the financial year, a reversal of impairment loss of $264,707 was recognised (2020: no impairment loss recognised).

Further information was disclosed in Note 14 to the financial statements.

b) Revenue recognition

Revenue from rendering of services is recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation.

In deriving an estimated project recovery rate for each project, management has performed the cost studies, the actual rates for other contracts and taking into account engineers' estimate. The recovery rate is regularly reviewed and revised, as appropriate.

Where the actual project recovery rate is different from the original estimate, such difference will impact revenue in the period in which such estimate has been changed.

Service revenue is disclosed in Note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3. **Critical accounting judgements and key sources of estimation uncertainty** (Continued)

3.2 Key sources of estimation uncertainty (Continued)

c) Loss allowance for trade receivables

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, past due status of the trade receivables and adjusted with forward looking assumptions, as appropriate. Management takes into account historical provision trend and other relevant factors.

The carrying amounts of trade receivables at the end of the reporting period are disclosed in Note 5 to the financial statements.

d) Impairment of investments in subsidiaries

Management has carried out a review of the recoverable amount of the investments in subsidiaries, having regard to the existing performance of the relevant subsidiaries and the carrying value of the net assets in these subsidiaries.

Management has estimated the recoverable amount based on fair value less costs of disposal. The fair value less costs of disposal is determined by reference to the net book value which approximates the fair value of the subsidiaries. The assessment has led to the reversal of impairment loss of $129,536 (2020: impairment loss of $1,159,965) during the year.

The carrying amounts of investments in subsidiaries are disclosed in Note 10 to the financial statements.

e) Loss allowance for amount due from subsidiaries

The Company is required to assess and recognise a loss allowance for expected credit losses on amount due from subsidiaries in accordance with three-stage impairment model. Management has made the assessment based on whether there has been a significant increase in the credit risk of the amount due from subsidiaries since its initial recognition. Subsequently, determine the amount of allowance to be recognised either based on 12-month expected credit loss or lifetime expected credit loss as well as the amount of interest revenue, if any, to be recognised in future periods.

The assessment has led to the recognition of impairment loss of $6,479,235 (2020: $1,355,773) during the year. The carrying amounts of other receivables due from subsidiaries are disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. Cash and short-term deposits

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Cash at banks and on hand	7,915,449	13,926,756	39,363	115,479
Fixed deposits	931,194	6,223,892	-	-
	8,846,643	20,150,648	39,363	115,479

Fixed deposits bear an effective interest rate from a range of 0.05% to 0.35% (2020: 0.05% to 1.83%) per annum and are for a tenure of approximately 30 to 365 days (2020: 30 to 365 days).

Fixed deposits amounting to $351,488 (2020: $343,582) were pledged to a bank to secure credit facilities granted to a certain subsidiary (Note 15).

For the purpose of presenting the consolidated statement of cash flows, cash and short-term deposits comprise the following:

	Group	
	2021	2020
	$	$
Cash and short-term deposits (as above)	8,846,643	20,150,648
Fixed deposits pledged	(351,488)	(343,582)
Cash and cash equivalents per consolidated statement of cash flows	8,495,155	19,807,066

Cash and short-term deposits include fixed deposits with an average maturity of more than 3 months, as there are no significant costs or penalties in converting these fixed deposits into liquid cash before maturity.

The currency profiles of the Group's and Company's cash and short-term deposits are as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Singapore dollar	2,885,284	7,718,705	39,363	115,479
Thai baht	302,474	420,231	-	-
United states dollar	5,164,863	11,856,898	-	-
Malaysia ringgit	83,379	88,447	-	-
Myanmar Kyat	326,605	-	-	-
Others	84,038	66,367	-	-
	8,846,643	20,150,648	39,363	115,479

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5. Trade receivables

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Third parties	7,192,857	6,766,995	59	66
Related parties	31,717	-	-	-
Less: Loss allowance for trade receivables	(849,629)	(887,911)	-	-
Net trade receivables	6,374,945	5,879,084	59	66
Add: Cash and short-term deposits (Note 4)	8,846,643	20,150,648	39,363	115,479
Add: Other receivables (Note 7)	767,152	843,898	12,817,056	19,680,387
Less: Prepayments (Note 7)	(209,263)	(165,470)	(48,337)	(62,145)
Less: Value-added tax receivables (Note 7)	(10,171)	(61,963)	-	-
Less: Government grant receivables (Note 7)	-	(304,379)	-	-
Total financial assets carried at amortised cost	15,769,306	26,341,818	12,808,141	19,733,787

Trade receivables are unsecured and non-interest bearing. The average credit period granted to customers is 30 days (2020: 30 days).

As at 31 December 2021, total loss allowance for trade receivables amounts to $849,629 (2020: $887,911), and the Group does not hold any collateral over these balances.

Movements in the loss allowance for trade receivables are as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
At 1 January	887,911	862,993	-	-
Loss allowance made during the financial year	62,933	315,845	-	-
Amount recovered during the financial year	(99,281)	(59,846)	-	-
	(36,348)	255,999	-	-
Exchange gain	(1,934)	-	-	-
Written off	-	(231,081)	-	-
At 31 December	849,629	887,911	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5. Trade receivables (Continued)

The currency profiles of the Group's and Company's trade receivables are as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Singapore dollar	6,024,250	5,656,798	59	66
Thai baht	18	368	-	-
United states dollar	232,933	170,845	-	-
Malaysia ringgit	83,999	42,977	-	-
Myanmar Kyat	15,080	-	-	-
Others	18,665	8,096	-	-
	6,374,945	5,879,084	59	66

6. Contract assets and contract liabilities

	Group	
	2021	2020
New building and repair	$	$
Contract assets	3,137,003	2,629,804
Contract liabilities	42,920	76,514

(a) Significant changes in contract assets

	Group	
	2021	2020
	$	$
At 1 January	2,629,804	2,805,935
Amount transferred to trade receivables	(2,629,804)	(2,805,935)
Excess of revenue recognised over cash or rights to cash	3,137,003	2,629,804
At 31 December	3,137,003	2,629,804

The contract assets mainly relate to the Group's rights to consideration for work done to date but not yet billed at reporting date on the contracts for new building and repair operating segment. The contract assets are transferred to trade receivables when the rights become unconditional. The Group has assessed credit risk for contract assets based on 12-month expected loss basis which reflects the low credit risk of the exposures. The management is of the view that the amount of the allowance on these balances is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6. Contract assets and contract liabilities (Continued)

(b) Significant changes in contract liabilities

	Group	
	2021	2020
	$	$
At 1 January	(76,514)	-
Amount recognised as revenue	76,514	-
Cash received in advance of performance and not recognised as revenue	(42,920)	(76,514)
At 31 December	(42,920)	(76,514)

Contract liabilities mainly relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances from customer for new building and repair operating segment. Contract liabilities are recognised as revenue as the Group fulfills its performance obligations under the contract.

(c) Unsatisfied performance obligations

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed.

7. Other receivables

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Third parties	471,554	417,007	328,706	328,706
Less: Loss allowance for amount due from third parties	(328,706)	(328,706)	(328,706)	(328,706)
	142,848	88,301	-	-
Subsidiaries	-	-	20,909,505	21,269,293
Less: Loss allowance for amount due from subsidiaries	-	-	(8,140,986)	(1,661,751)
	-	-	12,768,519	19,607,542
Prepayments	209,263	165,470	48,337	62,145
Deposits	404,870	223,785	200	10,700
Value-added tax receivables	10,171	61,963	-	-
Government grant receivables	-	304,379	-	-
Total other receivables	767,152	843,898	12,817,056	19,680,387
Less: Deposits (shown under non-current assets)	(96,981)	(5,875)	-	-
	670,171	838,023	12,817,056	19,680,387

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7. Other receivables (Continued)

The amount due from third parties and subsidiaries which are non-trade in nature are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

Included in deposit is an amount of $135,170 (2020: $Nil) which is pledged for a bank loan (Note 15). The carrying amount of the non-current deposits approximates to its fair value.

In previous year, the government grant receivables and deferred government grant income (Note 17) were recognised under the Jobs Support Scheme (JSS). The JSS was a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers received cash grants in relation to the gross monthly wages of eligible employees.

Movements in the loss allowance for amount due from subsidiaries are as follows:

	Company	
	2021	**2020**
	$	**$**
At 1 January	1,661,751	1,143,214
Loss allowance during the financial year	6,479,235	1,355,773
Written off	-	(837,236)
At 31 December	8,140,986	1,661,751

The currency profiles of the Group's and Company's other receivables are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Singapore dollar	127,368	702,573	10,909,640	17,604,385
Thai baht	12,734	90,802	1,907,416	2,076,002
United states dollar	512,768	-	-	-
Malaysia ringgit	19,423	14,060	-	-
Myanmar Kyat	88,496	30,391		
Others	6,363	6,072	-	-
	767,152	843,898	12,817,056	19,680,387

8. Inventories

	Group	
	2021	**2020**
	$	**$**
Raw materials, at cost	101,078	210,629
Consumables, at cost	515,726	246,361
	616,804	456,990

The cost of inventories recognised as expense are included in "Cost of services" line item in the consolidated statement of comprehensive income for the financial year ended 31 December 2021 and amounted to $3,377,384 (2020: $2,713,035) (Note 23).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. Non-current assets classified as held for sale

	Group	
	2021	2020
	$	$
At 1 January	-	4,035,730
Disposal	-	(4,035,730)
At 31 December	-	-

On 28 November 2019, a Memorandum of Agreement was signed with a buyer in connection with the sale of a vessel and the sale of the vessel was completed on 11 February 2020 with net proceeds which amounted to $5,400,648 and a gain in disposal of the vessel held for sale of $1,364,918 as recognised in profit or loss. The vessel was part of the Group's shipping segment.

10. Investments in subsidiaries

	Company	
	2021	2020
	$	$
Unquoted equity shares, at cost		
At 1 January	22,991,243	21,680,828
Addition	-	1,310,416
Disposal	-	(1)
	22,991,243	22,991,243
Less: Allowance for impairment loss	(3,708,115)	(3,837,651)
At 31 December	19,283,128	19,153,592

Movements in the allowance for impairment loss are as follows:

	Company	
	2021	2020
	$	$
At 1 January	3,837,651	2,677,686
Allowance made during the financial year	-	1,159,965
Reversal made during the financial year	(129,536)	-
At 31 December	3,708,115	3,837,651

Addition in investment in a subsidiary

The Group own 50% ownership interest in the subsidiary, ES Offshore and Marine Engineering (Thailand) Co., Ltd. ("ESOT"). During the previous year, ESOT increased its issued share capital by the issuance of an aggregate of 600,000 new ordinary shares at an issue price of THB 100 per share to its existing shareholders. As a result, the Company subscribed for an additional 300,000 new ordinary shares in ESOT, and accordingly increases its investment in ESOT by $1,310,416. There was no change in the Company's percentage of the equity interest in ESOT after the capital injection.

There is no addition in investment in subsidiary during the current year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. Investments in subsidiaries (Continued)

Impairment assessment in investments in subsidiaries

As at 31 December 2021, the Company carried out a review on the recoverable amount of its investments in certain subsidiary having regards for indicators of impairment on investment in subsidiary based on the existing performance of the subsidiary. The subsidiary is in new building and repair segment.

The assessment resulted in a reversal of impairment loss of $129,536 (2020: recognition of an impairment loss of $1,159,965) recognised in the Company's profit or loss in the current financial year. The reversal of impairment loss is due the improvement in the properties' values based on recent transactions of properties in similar locations and of similar sizes and usage held by Wang Fatt Oil & Gas Construction Pte. Ltd. The recoverable amount of investment in Wang Fatt Oil & Gas Construction Pte. Ltd. amounting to $9,957,369 (2020: $9,827,833) had been determined based on the subsidiary's fair value less costs of disposal (Level 3 hierarchy).

In previous year, the carrying amount of the investment in Wang Fatt Oil & Gas Construction Pte. Ltd. and ES Offshore and Marine Engineering (Thailand) Co., Ltd. were partially impaired. The recoverable amount of $9,827,833 and $792,378 respectively had been determined based on the subsidiary's fair value less cost of disposal (Level 3 hierarchy).

In prior years, the carrying amount of the investment in ES Shipping Pte. Ltd. and ES Chartering Pte. Ltd. had been fully impaired based on its fair value less cost of disposal (Level 3 hierarchy).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Names of subsidiaries	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of Ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2021	2020	2021	2020	2021	2020	2021	2020
		$	$	%	%	%	%	%	%
Held by the Company									
Eng Soon Investment Pte. Ltd.[(1)]	Repair of vessel and related engineering services/ Singapore	5,275,859	5,275,859	100	100	100	100	-	-
Wang Fatt Oil & Gas Construction Pte. Ltd.[(1)]	Repair of vessel and related engineering services and building construction/Singapore	10,400,088	10,400,088	100	100	100	100	-	-
Eng Soon Marine Pte. Ltd.[(1)]	Sale of consumables/ Singapore	782,272	782,272	100	100	100	100	-	-
ES Offshore Engineering Pte. Ltd.[(1)]	Repairs of vessel and related engineering services/ Singapore	1,073,517	1,073,517	100	100	100	100	-	-
Eng Soon Engineering (1999) Pte Ltd.[(1)]	Repair of vessel and related engineering services/ Singapore	1,401,732	1,401,732	100	100	100	100	-	-
ES Shipping Pte. Ltd.[(1)]	Building of ships, tankers and other ocean-going vessels and chartering of ships, barges and boats without crew/ Singapore	100,000	100,000	100	100	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Names of subsidiaries	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2021	2020	2021	2020	2021	2020	2021	2020
		$	$	%	%	%	%	%	%
Held by the Company (Continued)									
ES Oil & Gas Pte. Ltd.(1)	Repair of vessels and related engineering services/ Singapore	1	1	100	100	100	100	-	-
ES Chartering Pte. Ltd.(1)	Freight water transport/Singapore	50,000	50,000	100	100	100	100	-	-
Dalian ES Marine & Offshore Engineering Co., Ltd.(6)	Technical development, design, and consultancy service for ship and offshore project/ The People's Republic of China ("The PRC")	449,158	449,158	100	100	100	100	-	-
ES Offshore and Marine Engineering (Thailand) Co., Ltd.(2)(4)(5)	Vessel building and repair and steel construction/Thailand	3,458,616	3,458,616	50	50	51	51	50	50
		22,991,243	22,991,243						

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of Ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2021	2020	2021	2020	2021	2020	2021	2020
		$	$	%	%	%	%	%	%
Held by ES Oil & Gas Pte. Ltd.									
ES Offshore and Engineering (Myanmar) Company Limited[(6)(7)]	Provide consultancy and engineering services/Myanmar	134,505	134,505	50	50	50	50	-	-
ESW Automation Pte. Ltd. [(6)(9)]	Provide electrical and installation services for vessels/Singapore	-	100,000	-	100	-	100	-	-
		134,505	234,505						
Held by ES Offshore Engineering Pte. Ltd.									
ES Offshore and Engineering (Myanmar) Company Limited[(6)(7)]	Provide consultancy and engineering services/Myanmar	134,505	134,505	50	50	50	50	-	-
		134,505	134,505						

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of Ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2021	2020	2021	2020	2021	2020	2021	2020
		$	$	%	%	%	%	%	%
Held by ES Chartering Pte. Ltd.									
ES Aspire Pte. Ltd.[(1)]	Freight water transport/Singapore	50,000	50,000	100	100	100	100	-	-
ES Jewel Pte. Ltd.[(1)(10)]	Freight water transport/Singapore	50,000	-	100	-	100	-	-	-
		100,000	50,000						
Held by Eng Soon Marine Pte Ltd									
ES Nautilus (M) Sdn. Bhd.[(3)(8)]	Building and construction of ships, floating structures as well as other engineering projects/ Malaysia	8,101	8,101	49	49	51	51	51	51
		8,101	8,101						

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10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Notes:

(1) Audited by BDO LLP, Singapore.

(2) Audited by HLB Limited, Thailand

(3) Audited by YYC & Co., Malaysia.

(4) The Group own 50% equity shares of ES Offshore and Marine Engineering (Thailand) Co., Ltd. However, based on the contractual arrangements between the Group and other investors, the Group holds 51% of the voting power that gives it the ability to direct the relevant activities of ES Offshore and Marine Engineering (Thailand) Co., Ltd. based on simple majority votes. The non-controlling interests own 50% equity shares and 49% of the voting power of ES Offshore and Marine Engineering (Thailand) Co., Ltd.. Therefore, the directors of the Group determined that the Group have control over ES Offshore and Marine Engineering (Thailand) Co., Ltd. and accordingly ES Offshore and Marine Engineering (Thailand) Co., Ltd. is consolidated in these financial statements.

(5) The Group have not presented the summarised financial information about the assets, liabilities, profit or loss and cash flows of the non-wholly owned subsidiary, ES Offshore and Marine Engineering (Thailand) Co., Ltd. that has material non-controlling interests due to confidentiality of such information for commercial reasons.

(6) Not audited as deemed not material to the Group.

(7) ES Oil & Gas Pte. Ltd. and ES Offshore Engineering Pte. Ltd. each owns 50% equity shares of ES Offshore and Engineering (Myanmar) Company Limited ("ESOM"), where the Group ultimately own 100% equity shares of ESOM. During previous year, ESOM increased its issued share capital by issuance of an aggregate of 174,500 new ordinary shares (as fully paid up) at an issue price of US$1.00 per share to its existing shareholders, namely ES Oil & Gas Pte. Ltd. and ES Offshore Engineering Pte. Ltd. There was no change in the Group's equity interest in ESOM.

(8) The Group owns 49% equity shares of ES Nautilus (M) Sdn. Bhd.. However, based on contractual agreements between the Group and other investor, the Group hold 51% of the voting power that gives it the ability to direct the relevant activities of ES Nautilus (M) Sdn. Bhd. based on simple majority votes. The non-controlling interest owns 51% equity shares and 49% of voting power of ES Nautilus (M) Sdn. Bhd.. Therefore, the directors of the Group determined that the Group have control over ES Nautilus (M) Sdn. Bhd. and accordingly ES Nautilus (M) Sdn. Bhd. is consolidated in these financial statements.

(9) ESW Automation Pte. Ltd. was liquidated during the financial year.

(10) ES Jewel Pte. Ltd. was incorporated on 11 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11. Investment in an associate

	Group 2021 $	Group 2020 $
Cost of investment in an associate	-	200,000
Share of post-acquisition loss, net of dividend received	-	(132,155)
	-	67,845
Written off	-	(67,845)
Total	-	-

In previous year, the Group wrote off the investment in associate. Movement in the allowance for impairment loss was as follows:

	Group 2021 $	Group 2020 $
At 1 January	-	67,845
Written off	-	(67,845)
At 31 December	-	-

The details of the Group's associate are as follows:

Name of associate	Principal activities/ Country of incorporation and principal place of business	Proportion of ownership interest 2021 %	Proportion of ownership interest 2020 %	Proportion of voting power held 2021 %	Proportion of voting power held 2020 %
Karnot Technology Pte. Ltd.	Dormant/ Singapore	-	-	-	-

12. Investment in a joint venture

	Group 2021 $	Group 2020 $
Unquoted equity investment, at cost	250,000	250,000
Impairment on goodwill	(12,031)	-
Share of post-acquisition results	(18,776)	(17,300)
	219,193	232,700

On 1 October 2020, the Group acquired a 51% interest in the ownership and voting rights in a joint venture business, Proxess Engineering Pte. Ltd. ("Proxess") that is held through a subsidiary, Wang Fatt Oil & Gas Construction Pte. Ltd. The joint venture is a strategic business venture to diversify its operating scope to offer actuator and valves related solutions of Proxess to the Company's clientele, both in Singapore and ASEAN region. The Group jointly controls the venture with another joint venture partner under a contractual agreement which requires unanimous consent for major decisions over the relevant activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12. Investment in a joint venture (Continued)

Details of the Group's joint venture are as follows:

Name of joint venture	Country of incorporation and principal place of business	Principal activities	Proportion of equity interest	
			2021	2020
			%	%
Proxess Engineering Pte. Ltd.[1]	Singapore	Provides wholesale trade of variety of goods and manufacture and repair of valves	51	51

[1] Audited by Lo Hock Ling & Co.

There are no commitments to provide funding or contingent liabilities relating to the Group's interest in the joint venture.

Summarised financial information

Summarised financial information in relation to the joint venture based on its financial statements prepared in accordance with Singapore Financial Reporting Standards (International), and reconciliation with the carrying amount of the investment in the financial statements are as follows:

a) *Summarised statement of financial position*

	2021 $	2020 $
Cash and cash equivalents	118,035	178,142
Other current assets	448,620	691,364
Total assets	566,655	869,506
Trade and other payables and provisions	(135,552)	(429,259)
Other current liabilities	(1,314)	(7,562)
Total liabilities	(136,866)	(436,821)
Net assets	429,789	432,685

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12. Investment in a joint venture (Continued)

Summarised financial information (Continued)

b) *Summarised statement of comprehensive income*

	From 1 January to 31 December 2021 $	From 1 October 2020 (date of acquisition) To 31 December 2020 $
Revenue	420,141	30,357
Operating expenses	(429,125)	(56,719)
Other operating income	7,631	3
Depreciation, amortisation and interest	-	-
Loss before tax	(1,353)	(26,359)
Income tax expense	(1,542)	(7,562)
Loss after tax, representing total comprehensive income	(2,895)	(33,921)
Share of results of a joint venture	(1,476)	(17,300)

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture.

c) *Reconciliation of summarised financial information*

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

	2021 $	2020 $
Proportion of Group ownership	51%	51%
Net assets	429,789	432,685
Group's share of net assets	219,193	220,669
Goodwill on acquisition	-	12,031
Carrying amount of the investment	219,193	232,700

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12. Investment in a joint venture (Continued)

Goodwill and impairment

The Group are required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

During the current financial year, the joint venture continued to incur losses due to the write-off of obsolete stock. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to goodwill of $12,031. The pre-tax discount rate used to measure the joint venture's value in use was 8.7% per annum.

13. Club membership

	Group	
	2021	**2020**
	$	**$**
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Total	49,500	49,500

Movement in the allowance for impairment loss is as follows:

	Group	
	2021	**2020**
	$	**$**
At 1 January/31 December	15,500	15,500

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. Property, plant and equipment

	Leasehold land and property $	Freehold land $	Freehold property $	Land improvement $	Plant, machinery and equipment $	Motor vehicles $	Vessels $	Dry dock $	Right-of-use assets (Note A) $	Other assets $	Total $
Group											
Cost											
At 1 January 2021	5,634,967	3,975,109	1,462,510	899,803	10,041,537	891,470	5,936,737	1,072,283	1,957,735	2,335,575	34,207,726
Exchange translation	-	(322,808)	(118,766)	(73,070)	(629,354)	(22,569)	-	-	-	(20,529)	(1,187,096)
Additions	-	-	-	-	24,845	2,030	5,741,551	816,919	193,050	14,497	6,792,892
Disposals	-	-	-	-	(1,052,923)	(234,850)	-	-	-	(40,538)	(1,328,311)
Write-off	-	-	-	-	-	-	-	-	-	(6,963)	(6,963)
At 31 December 2021	5,634,967	3,652,301	1,343,744	826,733	8,384,105	636,081	11,678,288	1,889,202	2,150,785	2,282,042	38,478,248
Accumulated depreciation and accumulated impairment losses											
At 1 January 2021	2,924,874	-	1,052,169	858,920	10,015,166	453,687	1,568,584	679,012	1,202,292	2,280,149	21,034,853
Exchange translation	-	-	(87,253)	(70,303)	(621,944)	(16,746)	-	-	-	(19,962)	(816,208)
Charge for the year	231,606	-	51,533	15,728	94,953	103,364	304,637	220,474	205,473	33,948	1,261,716
Disposals	-	-	-	-	(1,052,661)	(234,848)	-	-	-	(40,534)	(1,328,043)
Reclassification	-	-	-	-	(104,533)	104,533	-	-	-	-	-
Reversal of impairment	-	-	-	-	-	-	(264,707)	-	-	-	(264,707)
Write-off	-	-	-	-	-	-	-	-	-	(6,963)	(6,963)
At 31 December 2021	3,156,480	-	1,016,449	804,345	8,330,981	409,990	1,608,514	899,486	1,407,765	2,246,638	19,880,648
Carrying amount											
At 31 December 2021	2,478,487	3,652,301	327,295	22,388	53,124	226,091	10,069,774	989,716	743,020	35,404	18,597,600

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. Property, plant and equipment (Continued)

	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Vessels	Dry dock	Right-of-use assets (Note A)	Other assets	Total
	$	$	$	$	$	$	$	$	$	$	$
Group											
Cost											
At 1 January 2020	5,611,507	4,060,962	1,494,097	919,237	10,343,099	1,048,537	5,936,737	1,072,283	1,957,735	2,317,977	34,762,171
Exchange translation	-	(85,853)	(31,587)	(19,434)	(178,821)	(442)	-	-	-	(4,120)	(320,257)
Additions	23,460	-	-	-	37,420	213,585	-	-	-	35,084	309,549
Disposals	-	-	-	-	(129,161)	(370,210)	-	-	-	-	(499,371)
Write-off	-	-	-	-	(31,000)	-	-	-	-	(13,366)	(44,366)
At 31 December 2020	5,634,967	3,975,109	1,462,510	899,803	10,041,537	891,470	5,936,737	1,072,283	1,957,735	2,335,575	34,207,726
Accumulated depreciation and accumulated impairment losses											
At 1 January 2020	2,695,524	-	1,018,296	860,551	10,107,546	754,170	1,367,179	540,229	1,018,015	2,254,446	20,615,956
Exchange translation	-	-	(21,676)	(18,237)	(172,220)	(4,366)	-	-	-	(4,246)	(220,745)
Charge for the year	229,350	-	55,549	16,606	238,812	74,093	201,405	138,783	184,277	42,108	1,180,983
Disposals	-	-	-	-	(127,972)	(370,210)	-	-	-	-	(498,182)
Write-off	-	-	-	-	(31,000)	-	-	-	-	(12,159)	(43,159)
At 31 December 2020	2,924,874	-	1,052,169	858,920	10,015,166	453,687	1,568,584	679,012	1,202,292	2,280,149	21,034,853
Carrying amount											
At 31 December 2020	2,710,093	3,975,109	410,341	40,883	26,371	437,783	4,368,153	393,271	755,443	55,426	13,172,873

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. Property, plant and equipment (Continued)

Note A: Right-of-use assets

	Right-of-use assets			
	Motor vehicles	**Leasehold land**	**Other assets**	**Total**
	$	**$**	**$**	**$**
Group				
Cost				
At 1 January 2021	641,717	1,279,810	36,208	1,957,735
Additions	193,050	-	-	193,050
31 December 2021	834,767	1,279,810	36,208	2,150,785
Accumulated depreciation				
At 1 January 2021	367,506	798,578	36,208	1,202,292
Charge for the year	138,324	67,149	-	205,473
At 31 December 2021	505,830	865,727	36,208	1,407,765
Carrying amount				
At 31 December 2021	328,937	414,083	-	743,020
Cost				
At 1 January and 31 December 2020	641,717	1,279,810	36,208	1,957,735
Accumulated depreciation				
At 1 January 2020	251,705	731,429	34,881	1,018,015
Charge for the year	115,801	67,149	1,327	184,277
At 31 December 2020	367,506	798,578	36,208	1,202,292
Carrying amount				
At 31 December 2020	274,211	481,232	-	755,443

The land lease is negotiated for a term of 22 years from April 2006 and the lease payment is subject to periodic revision by JTC Corporation.

During the year, the Group has acquired motor vehicles with an aggregate cost of $193,050 (2020: Nil) which are under finance lease amounting to $80,000 and cash payment of $113,050.

Impairment assessment

In the current financial year, the Group carried out a review of the recoverable amounts of the vessels in shipping segment owned by subsidiaries, as management had determined that indicators of impairment existed at the end of the reporting year due to the deteriorating operating results of the subsidiaries. The recoverable amounts of the vessels (including dry docking component) respectively have been determined on the vessels' highest and best use using their fair values less costs of disposal. Management has obtained third-party vessel valuation reports from ALC Consultancy Services Pte. Ltd. (2020: ALC Consultancy Services Pte. Ltd.), an independent professional valuation firm.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. **Property, plant and equipment** (Continued)

Impairment assessment (Continued)

The valuation is based on the available information as well as physical sighting of the vessels and their classification records. The resulting fair values of the motor vessels are considered level 2 recurring fair value measurements.

The Company engages external and independent valuer to determine the fair value of motor vessels at the end of every reporting period. Valuation report is submitted to management for documentation record. Finance department would then assess on the fair value movement in valuation report and adjust the asset fair value accordingly.

The review led to a reversal of impairment loss of $264,707 (2020: no impairment loss recognised) in the profit or loss due to a change in the estimates used to determine the asset's recoverable amount.

Other assets consist of office equipment, furniture and fittings, air conditioner, renovations, computer software and container.

Freehold land and property comprise:

- a shipyard and branch office at 161/2 Moo 7 Tambon Nahukwang, Amphur Thapsakae, Prachupkirikhan 77130, Thailand; and

- a worker dormitory at 136/76 Moo 5, Tambon Thapsakae, Amphur Thapsakae, Prachupkirikhan 77130, Thailand.

Leasehold land and property comprise:

- 4 office units at 8 Ubi Road 2 #06-23 to #06-26 Zervex Singapore 408538, leased for 57 years from 29 June 2011; and

- a workshop, repair facilities and worker dormitory at 10 Kwong Min Road Singapore 628712, leased for 22 years from April 2006.

Assets pledged as security:

As at the end of the reporting period, the Group's leasehold land and property with a carrying amount of $2,478,487 (2020: $2,710,093) have been pledged with a bank for banking facilities (Note 15).

As at 31 December 2021, the Group's vessels (including dry dock) with carrying amount of $11,059,490 (2020: $4,761,424) have been pledged with a bank for bank facilities (Note 15).

Restrictions

Motor vehicles with carrying amounts of $328,937 (2020: $274,211) are secured over the lease liabilities of $291,480 (2020: $306,931) as at 31 December 2021. Motor vehicles will be seized and returned to lessor in the event of default by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. Property, plant and equipment (Continued)

Reconciliation to the consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment during the financial year comprised:

	2021	2020
	$	$
Purchases of property, plant and equipment	6,792,892	309,549
Less: Property, plant and equipment acquired under lease arrangements	(80,000)	-
Net cash payments made	6,712,892	309,549

15. Bank loans

	Group	
	2021	2020
	$	$
Bank loans		
- Term loan 1[(a)]	2,658,344	-
- Term loan 2[(b)]	400,000	1,000,000
- Term loan 3[(c)]	3,842,617	4,000,000
Total bank loans	6,900,961	5,000,000
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,901,060)	(757,245)
Amount due for settlement after 12 months	4,999,901	4,242,755

Notes:

(a) The term loan is repayable in 60 monthly instalments commencing from December 2021. The loan is arranged at a floating interest rate at LIBOR plus 4%. The term loan has an average effective interest rate of 4.09% (2020: Nil) per annum. Interest is repriced monthly. The term loan will be fully repaid by November 2026.

(b) The term loan is arranged at floating interest rate. The term loan has an average effective interest rate of 3.43% (2020: 4.05%) per annum. As at 31 December 2021, the group did not meet a required loan covenant of maintaining the minimum amount of group's net assets. Accordingly, the loan is repayable on demand. Subsequent to year-end as disclosed in Note 37, the bank has granted the group a waiver on the requirement to maintain the required minimum amount of net assets.

(c) The term loan is repayable in 60 monthly instalments commencing from October 2020. The term loan carries a fixed interest rate at 3.0% (2020: 3.0%) per annum and will be fully repaid by October 2025.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

15. Bank loans (Continued)

At the end of the financial year, the Group's bank loans are secured by:

(i) legal mortgage over the Group's leasehold land and property (Note 14);

(ii) a pledge over vessels (Note 14); and

(iii) corporate guarantees by the Company for all the monies owing (Note 31);

(iv) A first priority pledge over the earnings account maintained with a financial institution (Note 4);

(v) pledge over a deposit amounting to $135,170 (2020: Nil)(Note 7);

(vi) pledge over 100% share of a subsidiary.

As at the end of the financial year, the Group has available $6,580,004 (2020: $6,825,714) of undrawn committed borrowing facilities in respect of which all conditions precedent has been met.

At the end of the financial year, the carrying amounts of non-current bank loans are reasonable approximation of their fair value due to the interest rates on the bank loans approximate the prevailing market interest rates which the directors expect to be available to the Group at an average of 3.4% (2020: 3.4%) per annum. The fair value of the non-current loans approximates to its carrying amount.

The fair value measurement is classified under Level 2 of the fair value hierarchy. The fair value has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with most significant input being the discount rate. There has been no change to the valuation technique during the year.

The currency profiles of the Group's bank loans are as follows:

	Group	
	2021	**2020**
	$	**$**
Singapore dollar	4,242,617	5,000,000
United States dollar	2,658,344	-
	6,900,961	5,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. Trade payables

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Trade payables - third parties	1,958,203	936,022	-	-
Less: Goods and service tax payable	-	(181,889)		-
Add: Bank loans (Note 15)	6,900,961	5,000,000	-	-
Add: Other payables (Note 17)	3,285,842	3,847,154	12,292,985	12,373,065
Add: Lease liabilities (Note 18)	831,785	924,170	-	-
Add: Deposits (Classified as non-current liability)	40,000	-	-	-
Less: Deferred government grant income (Note 17)	-	(377,744)	-	-
Total financial liabilities carried at amortised cost	13,016,791	10,147,713	12,292,985	12,373,065

The average credit period of trade payables is 30 days (2020: 30 days). No interest is charged on the outstanding balances.

The currency profiles of the Group's and Company's trade payables are as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Singapore dollar	1,465,759	698,604	-	-
Thai baht	13,622	45,232	-	-
United States dollar	347,317	121,473	-	-
Malaysia ringgit	25,878	10,554	-	-
Myanmar Kyat	123	-	-	-
Others	105,504	60,159	-	-
	1,958,203	936,022	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17. Other payables

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Director of a subsidiary[(a)]	1,907,448	2,076,037	-	-
Amount due to subsidiaries[(b)]	-	-	12,248,098	12,311,701
Third parties[(b)]	126,577	150,301	2,117	-
Accruals[(c)]	1,113,326	986,077	42,770	61,364
Workers' guarantee payables[(d)]	138,491	216,995	-	-
Deposit received	-	40,000	-	-
Deferred government grant income[(e)] (Note 7)	-	377,744	-	-
	3,285,842	3,847,154	12,292,985	12,373,065

(a) Advances from director of a subsidiary is unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

(b) The amount due to third parties and subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

(c) Accruals principally comprise amounts outstanding for on-going costs.

(d) Workers' guarantee payables comprise rewards payable to workers.

(e) In previous year, the deferred government grant income was recognised under the Jobs Support Scheme (JSS). The JSS was a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers received cash grants in relation to the gross monthly wages of eligible employees.

The currency profiles of the Group's and Company's other payables are as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Singapore dollar	773,179	1,249,497	12,289,924	12,370,004
Thai baht	2,052,057	2,303,103	3,061	3,061
United States dollar	405,510	-	-	-
Malaysia ringgit	-	244,781	-	-
Myanmar Kyat	2,071	-	-	-
Others	53,025	49,773	-	-
	3,285,842	3,847,154	12,292,985	12,373,065

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18. Lease liabilities

	Motor vehicles	Leasehold land	Other assets	Total
	$	$	$	$
Group				
At 1 January 2021	306,931	613,020	4,219	924,170
Addition (Note 14)	80,000	-	-	80,000
Interest expenses (Note 26)	16,712	26,069	167	42,948
Lease payment				
- Principal portion	(95,451)	(74,161)	(2,773)	(172,385)
- Interest portion	(16,712)	(26,069)	(167)	(42,948)
	(112,163)	(100,230)	(2,940)	(215,333)
At 31 December 2021	291,480	538,859	1,446	831,785
At 1 January 2020	340,152	683,923	6,841	1,030,916
Reclassification from other payables	43,027	-	-	43,027
Interest expenses (Note 26)	18,259	29,326	318	47,903
Lease payment				
- Principal portion	(76,248)	(70,903)	(2,622)	(149,773)
- Interest portion	(18,259)	(29,326)	(318)	(47,903)
	(94,507)	(100,229)	(2,940)	(197,676)
At 31 December 2020	306,931	613,020	4,219	924,170

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	2021	2020
	$	$	$	$
Group				
Contractual undiscounted cash flows:				
- Within one year	204,228	198,378	170,117	157,869
- In the second to fifth years inclusive	562,155	645,354	501,020	559,068
- After five years	167,049	217,855	160,648	207,233
	933,432	1,061,587	831,785	924,170
Less: Future interest expense	(101,647)	(137,417)	-	-
Present value of lease liabilities	831,785	924,170	831,785	924,170

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18. Lease liabilities (Continued)

Presented in consolidated statement of financial position	2021 $	2020 $
- Current	170,117	157,869
- Non-current	661,668	766,301
	831,785	924,170

It is the Group's policy to lease certain property, plant and equipment. The average lease terms ranged from 5 to 22 years (2020: 5 to 22 years). The incremental borrowing rate applied to the leases were from 4.5% to 5.6% (2020: 4.5% to 5.6%) per annum.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments, except for the lease of the land which is located at 10 Kwong Min Road Singapore 628712. The lease of the land has been negotiated for a term of 22 years from April 2006 and the lease payment is subject to periodic revision by JTC Corporation. The incremental borrowing rate applied to the lease liability on inception date of the lease for land was 4.5% per annum.

There are no externally imposed covenants on these lease arrangements.

Short-term lease expenses amounting to $810,564 (2020: $484,907) have not been capitalised in lease liabilities.

Total cash outflow for all leases in 2021 was $1,025,897 (2020: $682,583).

There are no future cash outflow which are not capitalised in lease liabilities.

Lease liabilities are denominated in Singapore dollar.

19. Share capital

	Group and Company			
	2021	2020	2021	2020
	Number of ordinary shares		$	$
Issued and paid up:				
At beginning and at end of year	141,200,000	141,200,000	23,698,348	23,698,348

The Company has one class of ordinary shares which carry one vote per share, has no par value and carries a right to dividend as and when declared by the Company.

20. Statutory surplus reserve

In accordance with the relevant provisions of the Civil and Commercial Code in Thailand, the subsidiary in Thailand, ES Offshore and Marine Engineering (Thailand) Co., Ltd. is required to set aside a statutory surplus reserve of at least 5% of its net income before each dividend distribution until the reserve reached 10% of the authorised capital. The statutory surplus reserve is not available for dividend distribution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21. Merger reserve

Merger reserve arose as a result of a Group restructuring exercise in 2009 prior to its Initial Public Offering and it represented the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition under common control. The merger reserve is not available for dividend distribution.

22. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segments information provided in Note 33 to the financial statements.

	Group		
Segments	**New building and repair $**	**Shipping $**	**Total $**
Type of goods and services			
2021			
Service revenue	13,767,160	-	13,767,160
Marine supplies	-	1,087,027	1,087,027
Ship charter	-	6,094,833	6,094,833
	13,767,160	7,181,860	20,949,020
2020			
Service revenue	12,161,744	-	12,161,744
Marine supplies	-	1,031,495	1,031,495
Ship charter	-	4,339,816	4,339,816
	12,161,744	5,371,311	17,533,055
Timing of transfer of goods and services			
2021			
At a point in time	437,439	7,181,860	7,619,299
Over time	13,329,721	-	13,329,721
	13,767,160	7,181,860	20,949,020
2020			
At a point in time	44,820	5,191,518	5,236,338
Over time	12,116,924	179,793	12,296,717
	12,161,744	5,371,311	17,533,055

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

23. Cost of services

	Group	
	2021	2020
	$	$
Cost of projects (include labour costs and other direct costs)	17,422,827	10,846,546
Interest on bank borrowings (Note 26)	35,394	-
Depreciation of property, plant and equipment (Note 27)	1,052,967	963,383
Cost of inventories recognised as an expense (Note 8)	3,377,384	2,713,035
	21,888,572	14,522,964

24. Other operating income

	Group	
	2021	2020
	$	$
Reimbursement of expenses from foreign workers	312,726	269,111
Rental income	207,174	191,381
Interest income	6,120	41,829
Gain on disposal of property, plant and equipment	83,126	36,110
Gain on disposal of non-current assets classified as held for sale	-	1,364,918
Reversal of loss allowance	36,348	-
Government grants		
- Job Support Scheme	668,669	1,177,998
- Foreign Worker Levy Rebate	620,300	1,336,050
- Others	142,836	140,303
	1,431,805	2,654,351
Insurance claims	-	900,000
Reversal of impairment of property, plant and equipment	264,707	-
Others	67,912	238,770
	2,409,918	5,696,470

Government grant income relates to income recognised under the Job Support Scheme (Note 7 and 17) and cash grants received from the Singapore Government to help businesses deal with the impact from COVID-19 such as Foreign Worker Levy Rebate, Jobs Growth Incentive, Enterprise Singapore Grant, Special Employment Credit and others.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

25. Other operating expenses

	Group	
	2021	2020
	$	$
Short-term lease expense:		
- Dormitory	810,564	484,907
Repair and maintenance	101,818	441,741
Travelling expense	50,003	24,685
Staff training and welfare	57,830	11,757
Food and refreshment	28,141	35,183
Water and electricity	170,353	174,444
Transportation	52,539	61,429
Foreign exchange loss – net	153,155	480,356
Depreciation of property, plant and equipment (Note 27)	131,135	139,305
Property, plant and equipment written off (Note 27)	-	1,207
Others	229,043	185,861
	1,784,581	2,040,875

26. Finance costs

	Group	
	2021	2020
	$	$
Interest on bank borrowings	155,200	98,218
Interest on lease liabilities (Note 18)	42,948	47,903
	198,148	146,121
Classified as:		
Finance costs	162,754	146,121
Cost of services (Note 23)	35,394	-
	198,148	146,121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

27. (Loss)/Profit for the year

(Loss)/Profit for the year is arrived at after charging/(crediting):

	Group	
	2021	2020
	$	$
Depreciation of property, plant and equipment:		
- cost of services (Note 23)	1,052,967	963,383
- administrative expenses	77,614	78,295
- other operating expenses (Note 25)	131,135	139,305
	1,261,716	1,180,983
Directors' remuneration:		
- of the Company	438,881	442,964
- of the subsidiaries	201,059	200,808
	639,940	643,772
Audit fee:		
- paid/payable to auditors of the Company	97,400	94,550
- paid/payable to other auditors	8,823	10,195
Employee benefits expense (including directors' remuneration)	11,123,291	9,500,851
Costs of defined contribution plans (included in employee benefits expense)	475,340	450,515
Cost of inventories recognised as expense (Note 8 and 23)	3,377,384	2,713,035
(Reversal of)/ loss allowance made for third party trade receivables, net (Note 5)	(36,348)	255,999
Property, plant and equipment written off (Note 25)	-	1,207

28. Income tax expense

	Group	
	2021	2020
	$	$
Income tax:		
- Current year	-	62,711
- Underprovision in respect of prior years	19,036	62,641
	19,036	125,352

Domestic income tax is calculated at 17% (2020: 17%) of the estimated assessable (loss)/profit before income tax. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

28. Income tax expense (Continued)

The total tax expense for the financial year can be reconciled to the accounting (loss)/profit as follows:

	Group	
	2021	2020
	$	$
(Loss)/profit before income tax	(6,317,691)	460,810
Share of results of a joint venture, net of tax	1,476	17,300
(Loss)/profit before tax and share of results of a joint venture	(6,316,215)	478,110
Income tax (credit)/expense at statutory tax rate of 17% (2020: 17%)	(1,073,756)	81,279
Effect of different tax rates of overseas operations	(48,182)	(54,054)
Effect of income that is exempt from taxation	(2,446,978)	(1,315,445)
Effect of expenses that are not deductible	3,343,308	1,294,944
Tax exemptions	(107,100)	(43,132)
Tax incentives	(204)	(204)
Underprovision in respect of prior years	19,036	62,641
Deferred tax assets not recognised in profit or loss	340,516	116,790
Others	(7,604)	(17,467)
Total income tax expense	19,036	125,352

Unutilised capital allowances

The Group has unutilised capital allowances of approximately $432,000 (2020: $55,000) available for offset against future profits indefinitely and subject to provisions of the tax legislation of the Singapore tax authority at the end of the reporting period.

Unrecognised tax losses

Subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates at the end of the reporting period, the Group has unutilised tax losses of approximately $9,288,000 (2020: $7,652,000) available for offset against future profits. No deferred tax asset has been recognised in accordance with the accounting policy in Note 2.20 to the financial statements due to the unpredictability of future profit streams and uncertainty of realisation in the foreseeable future.

	Group	
Tax losses can be carried forward up:	2021	2020
	$	$
2021	-	620,000
2022	1,680,000	1,828,000
2023	1,789,000	1,947,000
2024	1,319,000	1,436,000
2025	740,000	805,000
2026	683,000	-
No expiry date	3,077,000	1,016,000
	9,288,000	7,652,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

28. Income tax expense (Continued)

Unrecognised tax losses (Continued)

The Company's subsidiary in Thailand was granted investment promotion privileges as a promoted industry by virtue of the provision of the Investment Promotion Act B.E. 2520.

According to the promotional certificate no. 1279(2)/2550 dated 16 March 2007, the promotional certificate no. 2000 l2)/2554 dated 16 August 2011 and the promotional certificate no. 1569(2)/2558 dated 7 May 2015, the Company's subsidiary is entitled to the following privileges:

- deduction of import duty on certain imported machinery as approved by the Board of Investment;
- deduction of import duty on the raw and essential materials import in producing products for export for a period of 5 years from the date such materials are first imported;
- exemption of import duties on items which imports for re-export for a period of 5 years from the date such items are first imported;
- deduct an amount of 25 percent of the cost of installation of machines and facilities, in addition to normal depreciation;
- exemption of corporate income tax on the net profit derived from the promoted activity with the total amount not exceeding 100 percent of the investment capital, excluding cost of land and working capital for a period of not more than 8 years from the date income was derived from such activity; and utilisation of net loss incurred during the exemption period as a deduction from net income incurred subsequent to the expired date up to 5 years; and
- tax-exempt dividends derived from the Promoted Activity to the shareholders within the income tax exemption period.

The subsidiary has complied with certain terms and conditions contained in the promotion certificate.

29. (Loss)/Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2021 $	2020 $
(Loss)/Profit for the year attributable to owners of the parent	(6,018,674)	981,296
Weighted average number of ordinary shares for basic and diluted earnings per share computation	141,200,000	141,200,000
Basic (loss)/earnings per share (cents)	(4.26)	0.69
Diluted (loss)/earnings per share (cents)	(4.26)	0.69

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. (Loss)/Earnings per share (Continued)

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the owners of the parent by the weighted average number of ordinary shares in issue of 141,200,000 (2020: 141,200,000) during the financial year.

Basic and diluted earnings per share are the same as the Group does not have dilutive potential ordinary shares.

30. Dividends

	Group	
	2021	2020
	$	$
Final tax-exempt (one-tier) dividend paid in respect of the previous financial year of 0.25 cents (2020: 0.15 cents) per share	353,000	211,800
Special tax-exempt (one-tier) dividend paid in respect of the previous financial year of $nil (2020: 0.3 cents) per share	-	423,600
	353,000	635,400

31. Contingent liabilities

The Company has given corporate guarantees to certain banks and insurers in respect of banking facilities and foreign worker bonds granted to certain subsidiaries. The maximum amount the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee is $7,135,023 (2020: $5,236,226). The earliest period that the guarantee could be called is within 1 year (2020: 1 year) from the end of the reporting period.

Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed will suffer credit losses.

32. Significant related party transactions

During the year, in addition to the information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group	
	2021	2020
	$	$
Professional fee paid to immediate family member of directors/shareholders	202,000	204,000

There are no outstanding balances with related parties and key management personnel or their immediate family members.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32. Significant related party transactions (Continued)

Key management personnel remuneration

The remuneration of directors and other members of key management are as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Short-term benefits	1,620,285	1,643,950	853,425	532,675
Post-employment benefits	126,321	116,585	31,658	31,446
	1,746,606	1,760,535	885,083	564,121

The remuneration of directors and key management is determined by the Remuneration and Compensation Committee having regard to the performance of individuals and market trends.

33. Segments information

Services from which reportable segments derive their revenues

For the purpose of resource allocation and assessment of segments performance, the Group's chief operating decision maker has focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the operating segments of the Group under SFRS(I) 8.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristic, such as long-term average gross margins, and are similar in respect of nature of services and process, type of customers, method of distribution, and if applicable, the nature of the regulatory environment.

The Group's reportable operating segments under SFRS(I) 8 are as follows:

Segments	Principal activities
New building and repair	New building, conversion and repair of offshore and marine structures and vessels, and labour supply
Shipping	Ship chartering, marine supplies and related activities

The accounting policies of the reportable segments are described in Note 2.23. Segment revenue represents revenue generated from external customers. Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The segment assets comprise trade receivables, contract assets, certain inventories, and property, plant and equipment. The remaining assets are not allocated to reportable segments because they are of general use and they are not directly attributable to the segments or cannot be allocated to the segments on a reasonable basis.

The segment liabilities comprise trade payables and bank loans drawdown by subsidiaries for the purpose to finance the vessels. The remaining liabilities are not allocated to reportable segments because they are of general use and they are not directly attributable to the segments or cannot be allocated to the segments on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

33. Segments information (Continued)

Services from which reportable segments derive their revenues (Continued)

Information regarding the Group's reportable operating segments are presented in the tables below:

Segments	**New building and repair**	**Shipping**	**Total**
	$	**$**	**$**
31 December 2021			
Revenue			
Segment revenue	13,767,160	7,181,860	20,949,020
Results			
Gross profit/(loss)	2,317,817	(3,257,369)	(939,552)
Other operating income			2,409,918
Administrative expenses			(5,839,246)
Other operating expenses			(1,784,581)
Finance costs			(162,754)
Share of results of a joint venture			(1,476)
Loss before income tax			(6,317,691)
Income tax expense			(19,036)
Loss for the year			(6,336,727)
Other information			
Additions to property, plant and equipment			6,792,892
Depreciation of property, plant and equipment		(a)525,111	1,261,716
Assets and Liabilities			
Segment assets	13,184,462	11,529,185	24,713,647
Unallocated corporate assets			13,895,193
Total assets			38,608,840
Segment liabilities	1,867,105	4,073,213	5,940,318
Unallocated corporate liabilities			7,157,538
Total liabilities			13,097,856

(a) The difference between the depreciation of shipping segment and the total depreciation of property, plant and equipment is attributable to property, plant and equipment for general purpose that is used for all segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

33. Segments information (Continued)

Services from which reportable segments derive their revenues (Continued)

Information regarding the Group's reportable operating segments are presented in the tables below: (Continued)

Segments	**New building and repair**	**Shipping**	**Total**
	$	**$**	**$**
31 December 2020			
Revenue			
Segment revenue	12,161,744	5,371,311	17,533,055
Results			
Gross profit	2,799,369	210,722	3,010,091
Other operating income			5,696,470
Administrative expenses			(6,041,455)
Other operating expenses			(2,040,875)
Finance costs			(146,121)
Share of results of a joint venture			(17,300)
Profit before income tax			460,810
Income tax expense			(125,352)
Profit for the year			335,458
Other information			
Additions to property, plant and equipment			309,549
Depreciation of property, plant and equipment	-	[(a)]340,188	1,180,983
Assets and Liabilities			
Segment assets	12,651,969	5,296,692	17,948,661
Unallocated corporate assets			25,466,836
Total assets			43,415,497
Segment liabilities	1,910,501	1,146,680	3,057,181
Unallocated corporate liabilities			8,085,303
Total liabilities			11,143,484

(a) The difference between the depreciation of shipping segment and the total depreciation of property, plant and equipment is attributable to property, plant and equipment for general purpose that is used for all segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

33. Segments information (Continued)

Geographical information

The Group operates in five principal geographical areas – Singapore (country of domicile), Thailand and The People's Republic of China (The PRC), Malaysia and Myanmar.

The Group's revenue from external customers and information about its segment assets (non-current assets) by geographical location are detailed below:

	Revenue		Non-current assets#	
	2021	2020	2021	2020
	$	$	$	$
Geographical segments				
Singapore	20,077,594	16,097,942	14,798,734	8,849,050
Thailand	-	762,925	4,041,129	4,565,717
The PRC	323,848	199,156	5,695	5,999
Malaysia	95,651	411,038	12,982	26,870
Myanmar	451,927	61,994	7,753	7,437
	20,949,020	17,533,055	18,866,293	13,455,073

Non-current assets other than financial instruments.

The Group's revenue and non-current assets by geographical segments are based on the respective entities' country of operations.

Information about major customers

Major customers with revenue more than 10% of the Group's total revenue are as follows:

	New building and repair		Shipping	
	2021	2020	2021	2020
	$	$	$	$
Customer A	8,789,256	8,605,804	-	-
Customer B	-	-	2,268,910	2,295,817
Customer C	2,334,373	1,914,590	-	-
	11,123,629	10,520,394	2,268,910	2,295,817

34. Financial instruments, financial risks and capital risks management

The Group's activities expose it to credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

Risk management is carried out by the Board and periodic reviews are undertaken to ensure that the Group's and Company's policy guidelines are complied with. There has been no significant change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34. Financial instruments, financial risks and capital risks management (Continued)

(a) Categories of financial instruments

The following sets out the financial instruments at the end of financial year:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Financial assets				
Financial assets carried at amortised cost (Note 5)	15,769,306	26,341,818	12,808,141	19,733,787
Financial liabilities				
Financial liabilities carried at amortised cost (Note 16)	13,016,791	10,147,713	12,292,985	12,373,065

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. The Group and Company place their cash and short-term deposits with creditworthy institutions. The Group has adopted policies and procedures in extending credit terms to customers and in monitoring credit risk. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management.

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's and Company's total credit exposure.

As at the end of the reporting period, the Group has 1 (2020: 1) major customer which accounted for 65% (2020: 82%) of the net trade receivable balances.

The Company has no concentration of credit risk other than the amount due from subsidiaries as disclosed in Note 7.

Trade receivables and contract assets

The Group applies the simplified approach, using a provision matrix, to measure the expected credit losses for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that financial instruments presented in the respective statements of financial position, except for the financial guarantee issued to financial institutions for loans provided to subsidiaries as disclosed in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34. Financial instruments, financial risks and capital risks management (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The lifetime expected credit losses, on collective basis, for the Group's trade receivables and contract assets at each reporting date are as follows:

		Past due				
	Current	More than 30 days	More than 120 days	More than 210 days	More than 365 days	Total
	$	$	$	$	$	$
31 December 2021						
Gross carrying amount						
- Trade receivables	2,145,705	2,679,466	1,151,691	328,888	918,824	7,224,574
- Contract assets	3,137,003	-	-	-	-	3,137,003
	5,282,708	2,679,466	1,151,691	328,888	918,824	10,361,577
Less: Loss allowance	-	(63,349)	(59,959)	(37,431)	(688,890)	(849,629)[#]
	5,282,708	2,616,117	1,091,732	291,457	229,934	9,511,948
31 December 2020						
Gross carrying amount						
- Trade receivables	2,466,098	2,928,223	177,031	408,658	786,985	6,766,995
- Contract assets	2,629,804	-	-	-	-	2,629,804
	5,095,902	2,928,223	177,031	408,658	786,985	9,396,799
Less: Loss allowance	-	(108,163)	(21,781)	(138,289)	(619,678)	(887,911)[#]
	5,095,902	2,820,060	155,250	270,369	167,307	8,508,888

[#] This amount includes $704,794 (2020: $764,839) which are credit-impaired balances from several customers who are unlikely to repay the outstanding balances mainly due to economic circumstances or who have defaulted in payment terms.

Non-trade amounts due from third parties

The Group adopts a policy of dealing with high credit quality counterparties. The Group monitors and assess at each reporting date on any indicator of significant increase in credit risk on these receivables. As at 31 December 2021, the Group has assessed its non-trade third parties' financial ability to meet the contractual cash flow obligation and is of the view that expected credit losses of $328,706 (2020: $328,706) for non-trade amounts due from third parties are unlikely to be repaid due to economic circumstances or who have defaulted in payment terms.

Non-trade amounts due from subsidiaries

Management has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Management monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. As at 31 December 2021, the Company has assessed its subsidiaries' financial performance to meet the contractual cash flow obligations and is of the view that total expected credit loss allowance is $8,140,986 (2020: $1,661,751) for non-trade amounts due from subsidiaries, where $6,471,024 (2020: $237,341) are unlikely to be repaid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34. Financial instruments, financial risks and capital risks management (Continued)

(b) Credit risk (Continued)

Cash and short-term deposits

The cash and short-term deposits are held with banks and financial institution counterparties, which are rated A3 to Aa1, based on Moody's rating. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment on cash and short-term deposits has been measured on the 12-month expected loss model. As at 31 December 2021, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

(c) Foreign exchange risk

The Group entities transact largely in their functional currencies, which in most instances is the Singapore dollars. Foreign exchange risk arises largely from transactions denominated in currencies such as Singapore dollars, Thai baht, United States dollars and Malaysia Ringgit. The Group and Company does not use derivative financial instruments to hedge against foreign exchange exposure as the currency risk is not expected to be significant.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities (including advances to foreign operations within the Group) denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Monetary assets	Monetary liabilities	Net financial assets/ (liabilities)	Net assets/ (liabilities) denominated in the respective entities' functional currencies	Currency exposure
Group	**$**	**$**	**$**		
2021					
Singapore dollars	8,846,195	(7,353,340)	1,492,855	1,288,817	204,038
Thai baht	303,387	(2,065,679)	(1,762,292)	(3,668,585)	1,906,293
United States dollars	5,910,564	(3,411,171)	2,499,393	-	2,499,393
Malaysia ringgit	182,909	(25,878)	157,031	(435,338)	592,369
Myanmar Kyat	417,188	(2,194)	414,994	414,994	-
Company					
Thai baht	1,907,416	-	1,907,416	-	1,907,416
Group					
2020					
Singapore dollars	13,926,514	(7,690,383)	6,236,131	(5,868,674)	367,457
Thai baht	515,381	(2,348,335)	(1,832,954)	3,908,956	2,076,002
United States dollars	12,027,743	(121,473)	11,906,270	(107,859)	11,798,411
Malaysia ringgit	142,367	(255,335)	(112,968)	573,280	460,312
Company					
Thai baht	2,076,002	-	2,076,002	-	2,076,002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34. Financial instruments, financial risks and capital risks management (Continued)

(c) Foreign exchange risk (Continued)

Foreign currency sensitivity

The following table details the sensitivity to a 5% (2020: 5%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

If the relevant foreign currency strengthens by 5% against the functional currency of each of the Group's entities loss before income tax will decrease (2020: profit before tax will increase) by:

	2021	2020
	$	$
Group		
Singapore dollars	10,202	18,373
Thai baht	95,315	103,800
United States dollars	124,970	589,921
Malaysia ringgit	29,618	23,016
Company		
Thai baht	95,371	103,800

If the relevant foreign currency weakens by 5%, there would be an equal and opposite impact on the Group's and Company's loss before income tax shown above, on the basis that all other variables remain constant.

There is no direct impact to the Group's and Company's equity arising from changes in foreign exchange rates.

(d) Interest rate risk

The Group's exposures to market risk for changes in interest rate relates to the Group's long term and short term debt obligations. The Group does not use derivative financial instruments to hedge its exposure to interest rate fluctuation.

However, it is the Group's policy to obtain the most favourable interest rates available whenever the Group obtains additional financing through bank borrowings.

The interest rates, terms of maturity and repayment of borrowings of the Group are disclosed in Note 15.

The Company is not exposed to any interest rate risk since the Company does not have any interest-bearing financial asset and financial liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34. Financial instruments, financial risks and capital risks management (Continued)

(d) Interest rate risk (Continued)

Interest rate sensitivity

The sensitivity analyses below for the Group have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of financial instruments that have floating rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended 31 December 2021 would increase/ decrease by approximately $15,290) (2020: Group's profit would decrease/increase by $5,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

There is no direct impact to the Group's equity arising from changes in interest rates.

(e) Liquidity risk

As at 31 December 2021, the Group's cash and cash equivalents amounted to $8,495,155 (2020: $19,807,066). Management is of the view that there is sufficient cash and cash equivalents to finance the Group's activities. If required, financing can be obtained from its existing lines of banking facilities. As at 31 December 2021, the Group had available $6,580,004 (2020: $6,825,714) of undrawn committed borrowing facilities in respect of which all conditions precedent has been met.

In addition, the Company enters into financial guarantee contracts on behalf of its subsidiaries as disclosed in Note 31.

The Company funds its operations through internal funds and bank loans. The Company closely monitors the working capital requirements and minimises its liquidity risk by ensuring sufficient available funds and credits lines.

Liquidity and interest risk analyses

<u>Non-derivative financial liabilities</u>

The following tables detail the remaining contractual maturity for non-derivative financial liabilities of the Group. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34. Financial instruments, financial risks and capital risks management (Continued)

(e) Liquidity risk (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate %	On demand or within 1 year $	Within 2 to 5 years $	After 5 years $	Total $
Group					
31 December 2021					
Non-interest bearing					
Trade and other payables		5,284,045	-	-	5,284,045
Interest bearing					
Lease liabilities	4.96	204,228	562,155	167,049	933,432
Fixed interest rate instruments	3.00	1,062,396	2,978,318	-	4,040,714
Variable interest rate instruments	3.43-4.09	1,044,424	2,292,005	-	3,336,429
		7,595,093	5,832,478	167,049	13,594,620
31 December 2020					
Non-interest bearing					
Trade and other payables		4,223,543	-	-	4,223,543
Interest bearing					
Lease liabilities	4.96	198,378	645,354	217,855	1,061,587
Fixed interest rate instruments	3.00	277,025	4,072,663	-	4,349,688
Variable interest rate instruments	4.05	629,359	406,060	-	1,035,419
		5,328,305	5,124,077	217,855	10,670,237

Company

Non-derivative financial liabilities

All financial liabilities of the Company in 2021 and 2020 are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34. Financial instruments, financial risks and capital risks management (Continued)

(f) Offsetting financial assets and financial liabilities

There are no offsetting arrangements on financial assets and financial liabilities at the Group level. The following table details the Company's financial assets and financial liabilities which are subject to offsetting, enforceable master netting arrangements and similar agreements.

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreements as follows:

Financial assets

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets $	**Gross amounts of financial liabilities $**	**Net amount $**
Company			
31 December 2021			
Amount due from subsidiaries	22,668,175	(1,758,670)	20,909,505
31 December 2020			
Amount due from subsidiaries	33,970,610	(12,701,317)	21,269,293

Financial liabilities

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets $	**Gross amounts of financial liabilities $**	**Net amount $**
Company			
31 December 2021			
Amount due to subsidiaries	(14,490,671)	2,242,573	(12,248,098)
31 December 2020			
Amount due to subsidiaries	(22,760,952)	10,449,251	(12,311,701)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34. Financial instruments, financial risks and capital risks management (Continued)

(g) Capital risks management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concerns and maintain an optimal capital structure so as to maximise shareholders' values.

The capital structure of the Group consists of debts, which include bank loans (Note 15) and lease liabilities (Note 18), and equity comprising issued capital, reserves and retained earnings as disclosed in the notes to the financial statements.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as total borrowings divided by equity attributable to owners of the Company. Total borrowings are calculated as bank loans plus lease liabilities.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's overall strategy remains unchanged from the previous financial year.

	Group	
	2021	2020
	$	$
Total borrowings	7,732,746	5,924,170
Equity attributable to owners of the Company	25,595,438	32,008,002
Gearing ratio	30%	19%

<u>Externally imposed capital requirements</u>

a) A subsidiary in Thailand is subject to externally imposed capital requirements, the details of which are disclosed in Note 20.

b) Three subsidiaries, Wang Fatt Oil & Gas Construction Pte. Ltd., ES Shipping Pte. Ltd.and Eng Soon Investment Pte. Ltd. are subjected to bank covenants due to borrowings as disclosed in Note 15.

All of the above subsidiaries have complied with the externally imposed capital requirements for financial years ended 31 December 2021 and 2020 except for the breach in loan covenant as disclosed in Note 15.

35. Fair value of financial assets and financial liabilities

The Group categorised fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used in making the measurements as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

35. Fair value of financial assets and financial liabilities (Continued)

The classification of an item into above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. There were no transfers between Levels 1 and 2 during the year.

Fair value of financial instruments that are not carried at fair value

The Group has no financial assets and financial liabilities carried at fair value as at end of reporting period.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying

amounts are reasonable approximation of fair value

The carrying amounts of financial assets and financial liabilities, classified as current assets and current liabilities on the statements of financial position, approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities are disclosed in the respective notes to financial statements.

36. Impact of COVID-19

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group's operations in Singapore and overseas have been affected by the spread of COVID-19 since 2020. The Group's performance was greatly impacted by movement control and several restrictions imposed by Singapore government to control the spread of COVID-19 and the Group is still facing shortage of skilled workers due to border control.

The Group has set up a specific task force in each operating facility to handle the matter and implemented various course of action to prevent a spread of the COVID-19. Since second half of 2020, the COVID-19 pandemic is gradually under control in Singapore and the Group has since started to operate close to as normal thereon.

However, with the tighter restriction imposed by Singapore government requiring safe entry approvals for all incoming overseas workers and the sudden spike of Delta and Omicron variant cases, the Group is facing difficulties to bring in new workers and bring back its overseas workers returning from home leave. This has intensified the labour crunch and resulted in operational challenges and negative costs impact to the Group in 2021.

Despite the challenging business environment, the Group continues to explore opportunities to diversify and mitigate risk, both locally and overseas. The Group also continues to remain cautious by monitoring the global economic situation, conserving cash and being prudent with on-going cost management efforts as well as seizing opportunities in order to recover and rebound from the COVID-19 pandemic.

37. Events after the report period

On 24 February 2022, the Group obtained a one-off waiver from the bank to maintain a minimum group net assets as at 31 December 2021 as part of the requirement under the loan facilities as disclosed in Note 15.

38. Authorisation of financial statements

The consolidated financial statements of the Group and statement of financial position of the Company as at 31 December 2021 and statement of changes in equity of the Company for the financial year ended 31 December 2021 were authorised for issue by the Board of Directors on 28 March 2022.

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2022

SHARE CAPITAL

Issued and fully paid-up capital	:	23,698,348
Total number of issued shares	:	141,200,000
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share (excluding treasury shares and subsidiary holdings)

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Members and Depository Register)

SIZE OF SHAREHOLDINGS			NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	-	99	0	0.00	0	0.00
100	-	1,000	9	4.89	7,200	0.00
1,001	-	10,000	41	22.28	338,300	0.24
10,001	-	1,000,000	121	65.76	17,465,800	12.37
1,000,001	AND ABOVE		13	7.07	123,388,700	87.39
TOTAL			**184**	**100.00**	**141,200,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	53,540,000	37.92
2.	LOW CHEE WEE	33,780,000	23.92
3.	YVONNE LOW-TRIOMPHE	7,540,000	5.34
4.	EDDY NEO CHIANG SWEE (EDDY LIANG JIANGSHUI)	6,000,000	4.25
5.	LEOW MEI LEE	3,600,000	2.55
6.	TING SEE PING (CHEN SHIPING)	3,500,000	2.48
7.	UOB KAY HIAN PRIVATE LIMITED	3,003,000	2.13
8.	DBS NOMINEES (PRIVATE) LIMITED	2,851,700	2.02
9.	ALBERT SUSILO	2,505,000	1.77
10.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
11.	PHILLIP SECURITIES PTE LTD	2,141,700	1.52
12.	ABN AMRO CLEARING BANK N.V.	1,293,300	0.92
13.	KUAH HONG SIM	1,234,000	0.87
14.	SIAH CHYE HOCK (XIE CAIFU)	1,000,000	0.71
15.	LOH WING WAH	977,000	0.69
16.	CITIBANK NOMINEES SINGAPORE PTE LTD	925,100	0.66
17.	OCBC SECURITIES PRIVATE LIMITED	901,400	0.64
18.	SERM TANTASATIEN	835,000	0.59
19.	TAN SZE HONG	800,000	0.57
20.	KOK SIP CHON	693,000	0.49
		129,520,200	**91.74**

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2022

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST		DEEMED INTEREST		TOTAL INTEREST	
NAME	**NO. OF SHARES**	**%**	**NO. OF SHARES**	**%**	**NO. OF SHARES**	**%**
Low Chee Wee [1]	33,780,000	23.92	53,540,000	37.92	87,320,000	61.84
Low Chee Leng Christopher [2]	587,000	0.00	53,540,000	37.92	54,127,000	37.92
Yvonne Low-Triomphe [1]	7,540,000	5.34	53,540,000	37.92	61,080,000	43.26
Neo Peck Keow @ Ng Siang Keng [1]	53,540,000	37.92	-	-	53,540,000	37.92
Eddy Neo Chiang Swee (Eddy Liang Jiang Shui) [3]	6,000,000	4.25	3,600,000	2.55	9,600,000	6.80

Notes:

(1) Low Chee Wee, Low Chee Leng Christopher and Yvonne Low-Triomphe are siblings. Their mother is Neo Peck Keow @ Ng Siang Keng. Each of Low Chee Wee, Low Chee Leng Christopher and Yvonne Low-Triomphe is deemed interested in the 53,540,000 Shares held by their mother, Neo Peck Keow @ Ng Siang Keng, by virtue of Section 7 of the Companies Act.

(2) Low Chee Leng Christopher has a total shareholding of 0.0042%.

(3) Eddy Neo Chaing Swee is deemed interest in the 3,600,000 Shares held by his mother, Leow Mei Lee, by virtue of Section 7 of the Companies Act.

SHAREHOLDINGS HELD BY THE PUBLIC

Based on the information available to the Company as at 21 March 2022 and to the best knowledge of the Directors of the Company, approximately 21.78% of the issued ordinary shares of the Company was held by the public as defined in the Rules of Catalist. Accordingly, Rule 723 of the Rules of Catalist which requires at least 10% of a listed issuer's equity securities to be held by the public is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of ES GROUP (HOLDINGS) LIMITED (the "**Company**") will be held by way of electronic means on Friday, 29 April 2022 at 2:00 p.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021 ("**FY2021**") and the Independent Auditor's Report thereon.

Resolution 1

2. To re-elect Mr. Ong Beng Chye, a Director of the Company retiring pursuant to Article 98 of the Constitution of the Company and who, being eligible, offers himself for re-election, as a Director of the Company.
(See Explanatory Notes)

Resolution 2

3. To re-elect Mr. Jens Rasmussen, a Director of the Company retiring pursuant to Article 98 of the Constitution of the Company and who, being eligible, offers himself for re-election, as a Director of the Company.
(See Explanatory Notes)

Resolution 3

4. To approve the payment of Directors' fees of up to S$128,500 for the financial year ending 31 December 2022, payable quarterly in arrears (FY2021: up to S$128,500).

Resolution 4

5. To appoint Messrs Mazars LLP as Auditors of the Company in place of Messrs BDO LLP, the retiring Auditors of the Company, and to authorise the Directors of the Company to fix their remuneration.
(See Explanatory Notes)

Resolution 5

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

ORDINARY RESOLUTION: PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

7. That:

(a) for the purposes of the Singapore Companies Act 1967 (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases (each a "**Market Purchase**"), transacted on the Catalist through the Singapore Exchange Securities Trading Limited's (the "**SGX-ST**") trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) off-market purchases (each an "**Off-Market Purchase**") (if effected otherwise than on the Catalist) in accordance with an equal access scheme(s) as defined in Section 76C of the Act as may be determined or formulated by the Directors of the Company as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the **SGX-ST** Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"),

(the "**Share Buy-back Mandate**"), be and is hereby authorised and approved generally and unconditionally;

(b) unless varied or revoked by an ordinary resolution of shareholders of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of the Shares are carried out to the full extent mandated by the Share Buy-back Mandate; or

(iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by an ordinary resolution of shareholders of the Company in a general meeting,

(the "**Relevant Period**");

(c) in this Resolution 6:

"**Prescribed Limit**" means the number of Shares representing not more than 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date passing this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, the price per Share which is not more than 5% above the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, the price per Share which is not more than 20% above the Average Closing Price of the Shares; and

For the purposes above:

"**Average Closing Price**" means the average of the closing market prices of the Shares for the last 5 Market Days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company, or as the case may be, the Offer Date pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action occurring during the relevant 5 Market Days period and the day on which the purchases or acquisitions of Shares are made;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

NOTICE OF ANNUAL GENERAL MEETING

"**Offer Date**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

(d) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and do all such acts and things (including executing such documents as may be required) as they may consider desirable, expedient or necessary in the interest of the Company in connection with or for the purposes of giving full effect to the Share Buy-back Mandate.
(See Explanatory Notes)

Resolution 6

ORDINARY RESOLUTION: AUTHORITY TO ALLOT AND ISSUE SHARES

8. That, pursuant to Section 161 of the Act and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to:

(A) (i) allot and issue Shares whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other Instruments convertible into Shares; and/or

(iii) notwithstanding that such authority conferred by this Resolution may have ceased to be in force at the time the Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues,

at any time and upon such terms and conditions and for such purposes and to such person as the Directors of the Company may in their absolute discretion deem fit; and

(B) issue Shares in pursuance of any Instrument made or granted by our Directors pursuant to (A)(ii) and/or (A)(iii) above, notwithstanding that such authority may have ceased to be in force at the time the Shares are to be issued, as per A(iii) provided that:

(i) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro-rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below);

(ii) the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings), after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

(b) (where applicable) new Shares arising from the exercise of share options or vesting of share awards, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

and provided also that adjustments under (a) and (b) are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and are outstanding or subsisting at the time this Resolution is passed;

(iii) in exercising such authority, the Company shall comply with any or all the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the Act and the Constitution for the time being of the Company; and

(iv) unless revoked or varied by the Company in a general meeting by ordinary resolution, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act, and every other legislation for the time being in force concerning companies and affecting the Company, whichever is the earlier.

(See Explanatory Notes)

Resolution 7

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore
11 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The Annual General Meeting of the Company to be held on Friday, 29 April 2022 at 2:00 p.m. (the "AGM") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM and the accompanying proxy form for the AGM will not be sent to members of the Company. Instead, this Notice of AGM and the accompanying proxy form for the AGM will be sent to members of the Company by electronic means via publication on (i) the SGX-ST's website at https://www.sgx.com/securities/company-announcements; and (ii) the Company's corporate website at https://www.esgroup.com.sg/html/ir_overview.php.

2. The alternative arrangements for the AGM relating to, among others, attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast ("**LIVE WEBCAST**") or "live" audio-only stream ("**LIVE AUDIO STREAM**")), submission of questions in advance of the AGM, addressing of substantial and relevant questions before the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 11 April 2022 (the "**Announcement**"), which has been published together with this Notice of AGM on the SGX-ST's website at https://www.sgx.com/securities/company-announcements on the same day. The Announcement may also be accessed on the Company's corporate website at http:// www.esgroup.com.sg /html/ir_announce.php. For the avoidance of doubt, the Announcement is circulated together with and forms part of this Notice of AGM in respect of the AGM.

3. As the AGM will be held by electronic means, a member of the Company will not be able to attend the AGM in person. If a member of the Company (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.

   In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

   SRS investors who wish to vote should approach their respective SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 5:00 p.m. on 19 April 2022) in order to allow sufficient time for their respective SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date and time of 2:00 p.m. on 27 April 2022.

4. The Chairman of the AGM, as proxy, need not be a member of the Company.

5. The instrument or form appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must: (a) if sent personally or by post, be lodged at the office of the Company at 8 Ubi Road 2, #06-26 Zervex, Singapore 408538; or (b) if submitted by email, be received by the Company at general@esgroup.com.sg, in either case, by 2:00 p.m. on 27 April 2022 (being not less than forty-eight (48) hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   In view of the current COVID-19 situation in Singapore, members of the Company are strongly encouraged to submit completed proxy forms electronically via email to the Company so as to reach the Company not less than forty-eight (48) hours before the time appointed for holding the AGM.

NOTICE OF ANNUAL GENERAL MEETING

6. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its director or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.

8. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy.

9. In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged or submitted if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

10. This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), in accordance with Rule 226(2)(b) of the Catalist Rules.

    This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.

    The contact person for the Sponsor is Ms. Goh Mei Xian, Director, ZICO Capital Pte. Ltd. at 77 Robinson Road, #06-03 Robinson 77, Singapore 068896, telephone (65) 6636 4201.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

Resolutions 2 and 3

Mr. Ong Beng Chye, if re-appointed as a Director of the Company, will remain as the Non-Executive Chairman and Independent Director of the Company and will continue to serve as Chairman of the Audit and Risk Committee and the Nominating Committee, as well as a member of the Remuneration and Compensation Committee of the Company. Mr. Ong Beng Chye is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules. Detailed information (including information as required pursuant to Rule 720(5) of the Catalist Rules) on Mr. Ong Beng Chye can be found under the sections entitled "Board of Directors", "Corporate Governance Report", "Appendix" and "Directors' Statement" of the Company's Annual Report 2021. Save as disclosed therein, there are no material relationships (including immediate family relationship) between Mr. Ong Beng Chye and the other Directors of the Company, the Company or its 10% shareholders.

Mr. Jens Rasmussen, if re-appointed as a Director of the Company, will remain as a Non-Independent Non-Executive Director of the Company and will continue to serve as a member of the Audit and Risk Committee, the Nominating Committee as well as the Remuneration and Compensation Committee of the Company. Mr. Jens Rasmussen is considered by the Board to be non-independent for the purpose of Rule 704(7) of the Catalist Rules. Detailed information (including information as required pursuant to Rule 720(5) of the Catalist Rules) on Mr. Jens Rasmussen can be found under the sections entitled "Board of Directors", "Corporate Governance Report", "Appendix" and "Directors' Statement" of the Company's Annual Report 2021. Save as disclosed therein, there are no material relationships (including immediate family relationship) between Mr. Jens Rasmussen and the other Directors of the Company, the Company or its 10% shareholders.

Resolution 5

The Ordinary Resolution 5 proposed above is to approve the appointment of Messrs Mazars LLP ("**Mazars**") as the Company's external auditors ("**Auditors**") in place of the retiring Auditors, Messrs BDO LLP ("**BDO**"), and to authorise the Directors of the Company to fix their remuneration. In accordance with the requirements of Rule 712(3) of the Catalist Rules:

(a) BDO has confirmed to Mazars by way of a letter of professional clearance dated 1 April 2022 that it is not aware of any professional reasons why Mazars should not accept appointment as the new Auditors;

(b) the Company confirms that there are no disagreements with BDO on accounting treatments within the last 12 months up to the date of their retirement at the conclusion of this AGM;

(c) the Company confirms that it is not aware of any circumstances connected with the proposed change of Auditors that ought to be brought to the attention of the shareholders of the Company which has not been disclosed in Section 3 of the Addendum to this Notice of AGM dated 11 April 2022 ("**Addendum**");

(d) the Company confirms that the specific reasons for the proposed change of Auditors are disclosed in Section 3.2 of the Addendum. The proposed change of Auditors is neither due to the dismissal of BDO nor BDO declining to stand for election; and

(e) the Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of Mazars as its new Auditors.

For more information relating to Ordinary Resolution 5 proposed above, please refer to Section 3 of the Addendum.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 6

The Ordinary Resolution 6 proposed above, if passed, will empower the Directors of the Company, (i) from the date of the above Annual General Meeting of the Company until the date of the next Annual General Meeting of the Company to be held or is required by law to be held; or (ii) the date on which the purchases or acquisitions of Shares are carried out to the full extent mandated by the Share Buy-back Mandate; or (iii) such authority is revoked or varied by shareholders of the Company in a general meeting, whichever is the earlier, to make purchases or acquisitions (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for the Share Buy-back Mandate, the authority and limitation on the purchases or acquisitions of Shares under the Share Buy-back Mandate, the source of funds to be used for the purchases or acquisitions of Shares including the amount of financing, and the financial effects of the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-back Mandate are set out in greater detail in Section 2 of the Addendum.

Resolution 7

The Ordinary Resolution 7 proposed above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting of the Company until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and to make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which the number of Shares to be issued other than on a *pro-rata* basis to shareholders of the Company does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings).

For the purpose of determining the aggregate number of Shares that may be issued, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Ordinary Resolution is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or the exercise of share options or the vesting of share awards which were issued and are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

PERSONAL DATA PRIVACY:

By (a) submitting an instrument appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the pre-registration to observe the proceedings of the AGM via LIVE WEBCAST or LIVE AUDIO STREAM, or (c) submitting any question prior to the AGM in accordance with this Notice of AGM, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing, administration and analysis by the Company (or its agents or service providers) of the instruments appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);

(ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the LIVE WEBCAST or LIVE AUDIO STREAM to observe the proceedings of the AGM and providing them with any technical assistance where necessary;

NOTICE OF ANNUAL GENERAL MEETING

(iii) addressing substantial and relevant questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

ES Group (Holdings) Limited

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200410497Z)

Proxy Form - Annual General Meeting of the Company to be held by way of electronic means on 29 April 2022

IMPORTANT:

1. The Annual General Meeting of the Company to be held on Friday, 29 April 2022 at 2:00 p.m. ("**AGM**") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions before the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 11 April 2022. This announcement, together with the Notice of AGM and the accompanying proxy form for the AGM, may be accessed via (i) the SGX-ST's website at https://www.sgx.com/securities/company-announcements; and (ii) the Company's corporate website at https://www.esgroup.com.sg/html/ir_overview.php.
3. As the AGM will be held by electronic means, a member will not be able to attend the AGM in person. A member (whether individual or corporate and including a Relevant Intermediary*) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. SRS investors who wish to appoint the Chairman of the AGM as proxy to vote should approach their respective SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 5:00 p.m. on 19 April 2022) in order to allow sufficient time for their respective SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date and time.

*I/We ______________________________ (Name) ____________________ (NRIC/ Passport No./

Company Registration No.) of ____ (Address)

being a *member/ members of ES Group (Holdings) Limited (the "**Company**"), hereby appoint the Chairman of the annual general meeting of the Company (the "**AGM**"), as *my/our proxy to attend and to vote for *me/us on *my/our behalf at the AGM to be held by way of electronic means on **Friday, 29 April 2022 at 2:00 p.m.** and at any adjournment thereof. *I/We direct *my/our proxy to vote for or against, or to abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as *my/our proxy will be treated as invalid.

All Resolutions put to the vote at the AGM shall be decided by way of poll.

(Please indicate your vote "For" or "Against" or "Abstain" from voting a resolution with a tick [√] within the box provided in respect of that resolution. Alternatively, please indicate the number of votes as appropriate in the relevant box provided in respect of that resolution. If you mark the abstain box for a particular resolution, you are directing the Chairman of the AGM as your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.)

No.	Resolution	For	Against	Abstain
	Ordinary Business			
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021, together with the Independent Auditor's Report thereon			
2	Re-election of Mr. Ong Beng Chye as a Director of the Company			
3	Re-election of Mr. Jens Rasmussen as a Director of the Company			
4	Approval of the payment of Directors' fees of up to S$128,500 for the financial year ending 31 December 2022, to be paid quarterly in arrears			
5	Appointment of Messrs Mazars LLP as Auditors of the Company in place of Messrs BDO LLP and authority to Directors of the Company to fix their remuneration			
	Special Business			
6	Proposed renewal of the Share Buy-back Mandate			
7	Authority to allot and issue shares in the capital of the Company			

Signed this ______ day of __________ 2022

Total Number of Shares Held	Number of Shares
In CDP Register	
In Register of Members	

____
Signature(s) of member(s) or common seal

*delete as appropriate

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Notes to the Proxy Form:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares registered in your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

2. As the AGM will be held by electronic means, a member of the Company will not be able to attend the AGM in person. A member of the Company (whether individual or corporate and including a Relevant Intermediary*) must appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

   In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

   SRS investors who wish to vote should approach their respective SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 5:00 p.m. on 19 April 2022) in order to allow sufficient time for their respective SRS Operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date and time of 2:00 p.m. on 27 April 2022.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.

4. The instrument or form appointing the Chairman of the AGM as a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must: (a) if sent personally or by post, be lodged at the office of the Company at 8 Ubi Road 2, #06-26 Zervex, Singapore 408538; or (b) if submitted by email, be received by the Company at general@esgroup.com.sg, in either case, by 2:00 p.m. on 27 April 2022 (being not less than forty-eight (48) hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   In view of the current COVID-19 situation in Singapore, members of the Company are strongly encouraged to submit completed proxy forms electronically via email to the Company so as to reach the Company not less than forty-eight (48) hours before the time appointed for holding the AGM.

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the AGM as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the AGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.

7. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy.

8. In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged or submitted if such members are not shown to have shares entered against their names in the Depository Register seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act 1970 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2022.

ES Group (Holdings) Limited

Company Registration No.: 200410497Z

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